PEO EIS ERP DAY

16 October 2002

Brian Zrimsek, Research Director

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research consulting measurement community news

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My Charter for this Brief

1. **Common understanding of Enterprise Resource Planning (ERP)**
2. **Common understanding of implementation challenges for ERP Systems**
3. **Common understanding of project start and BPR challenges for ERP Systems**
4. Common understanding of Enterprise Integration within DoD

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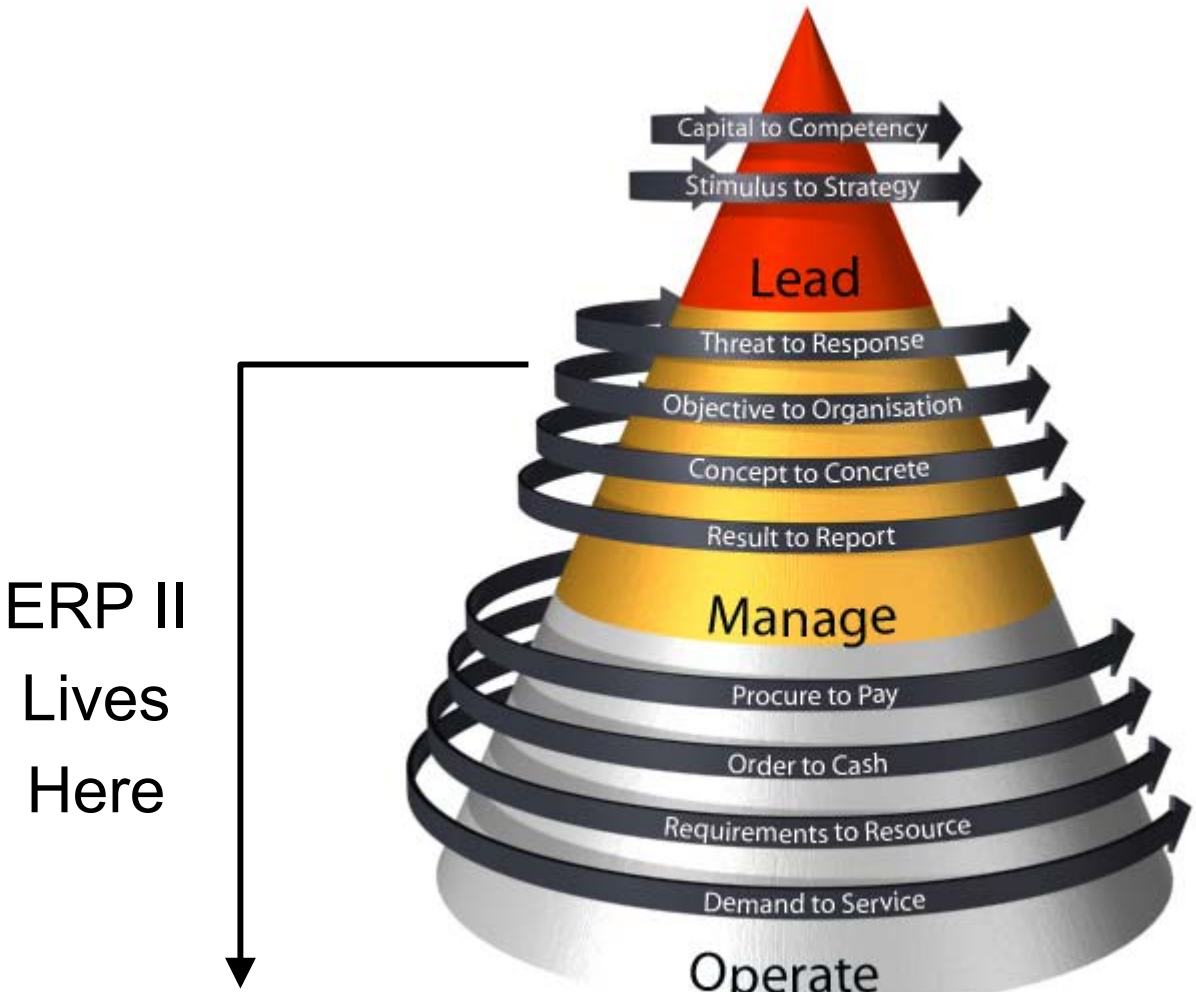
ERP II Definition, Scope and Evolution

The Real (Right)-Time Enterprise



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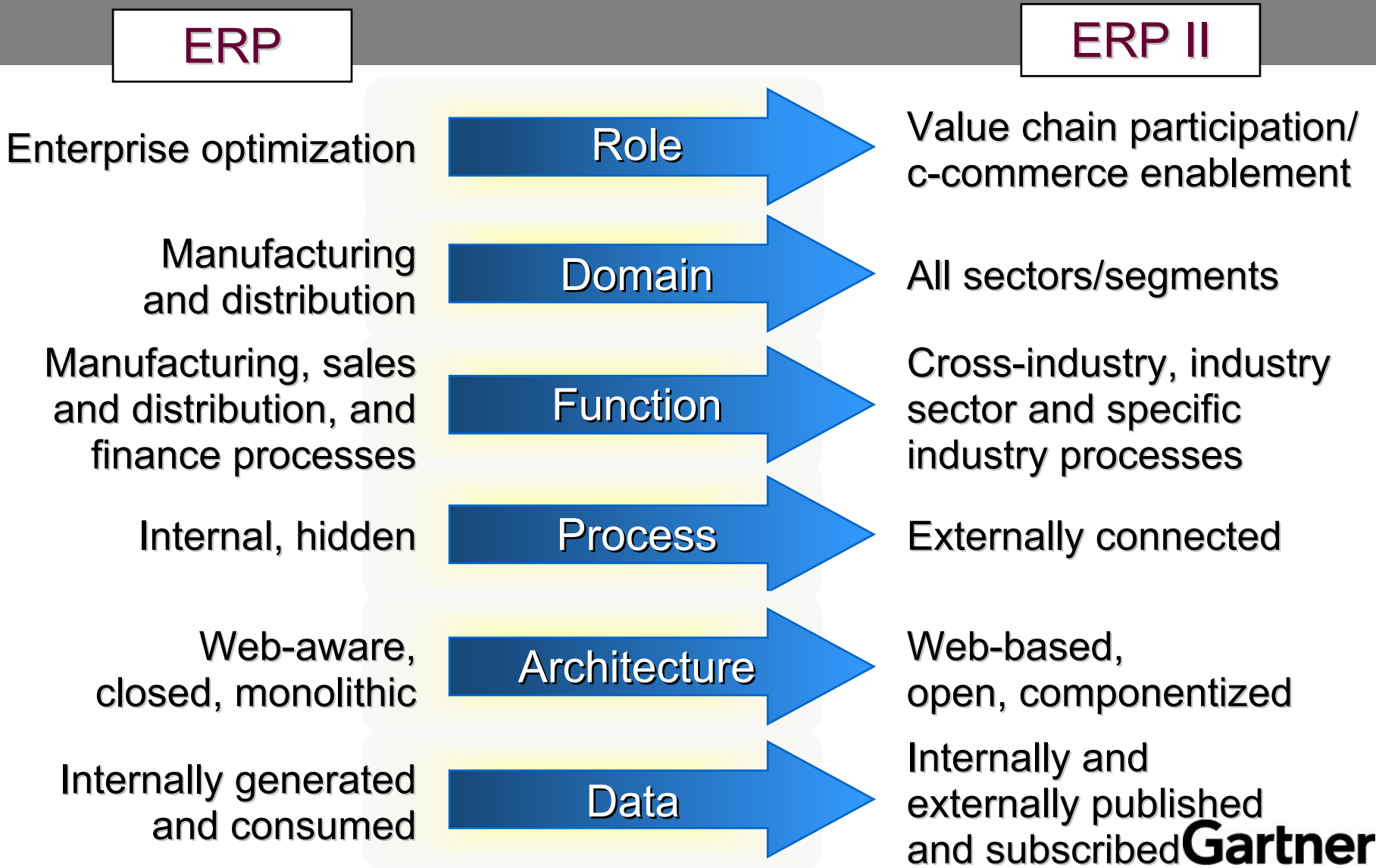
How ERP II Evolves From ERP



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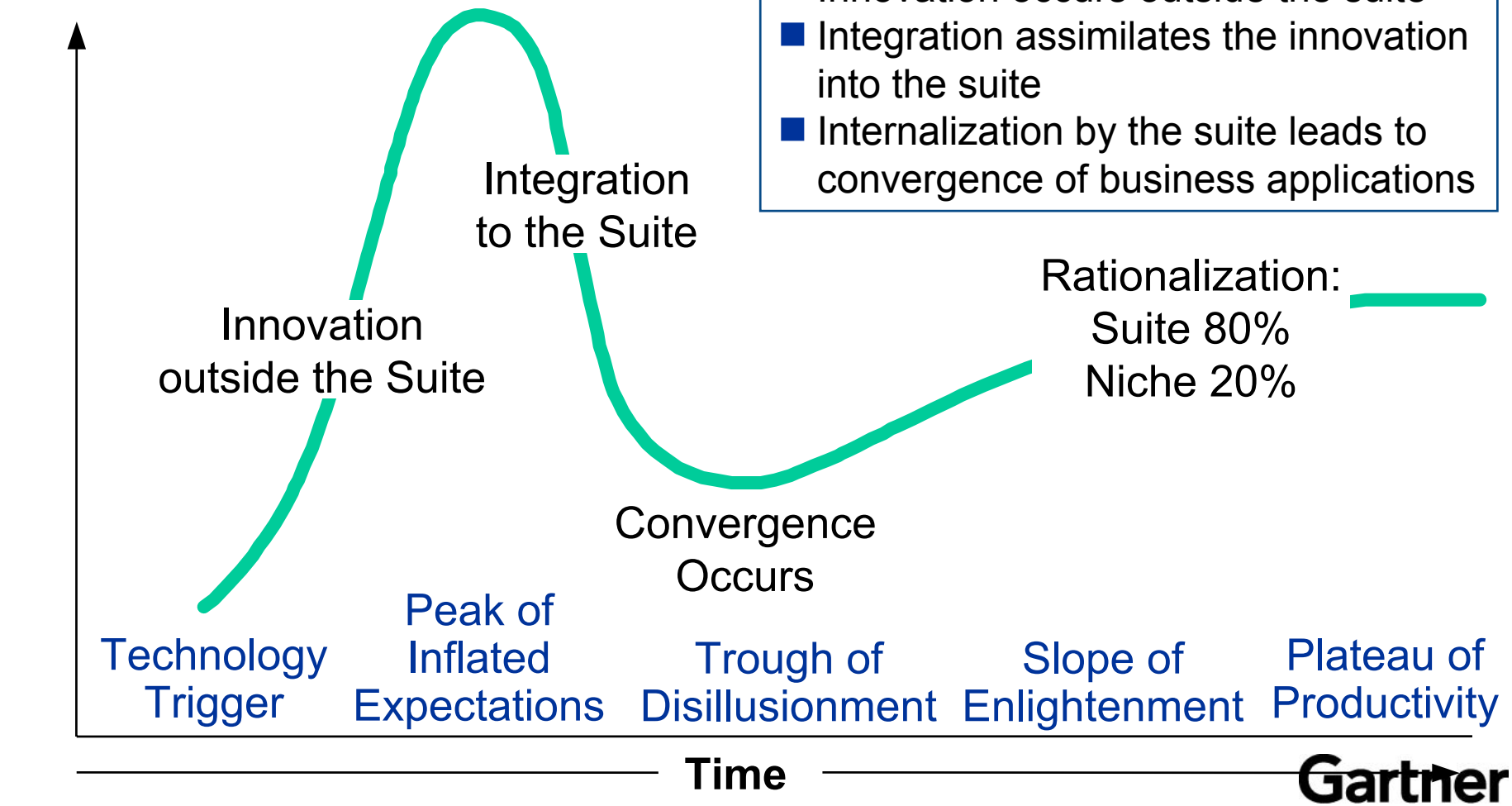
Business Applications Hype Cycle

LAWS of BUSINESS APPLICATIONS:
- Innovation occurs outside the suite
- Integration assimilates the innovation into the suite
- Internalization by the suite leads to convergence of business applications



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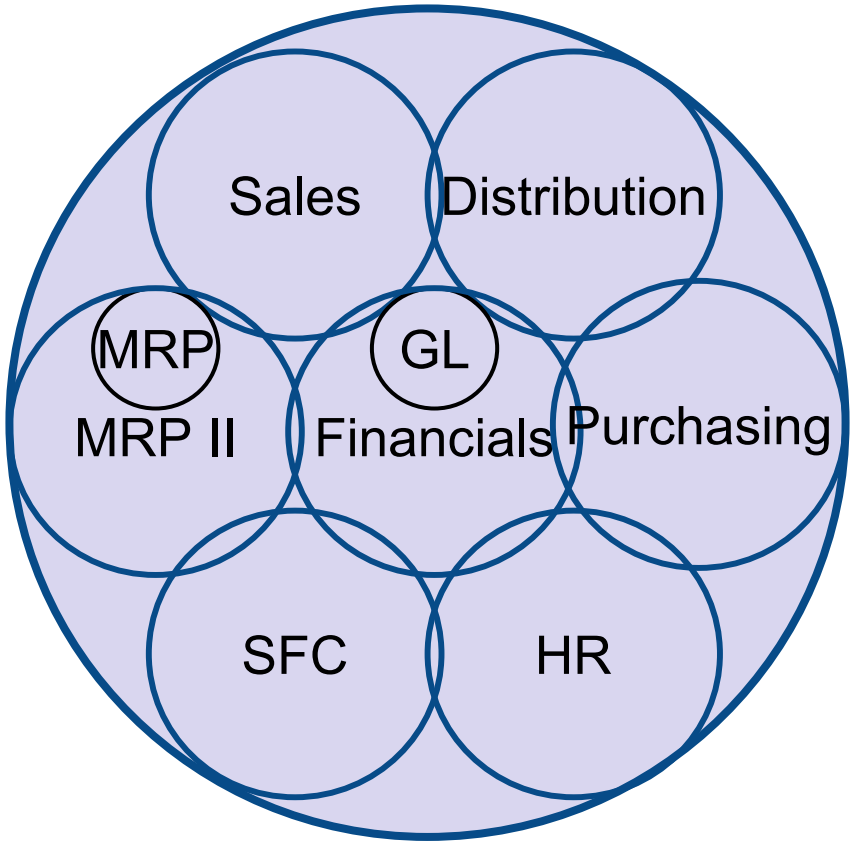
The Cycle of Assimilation

Traditional ERP Foundation



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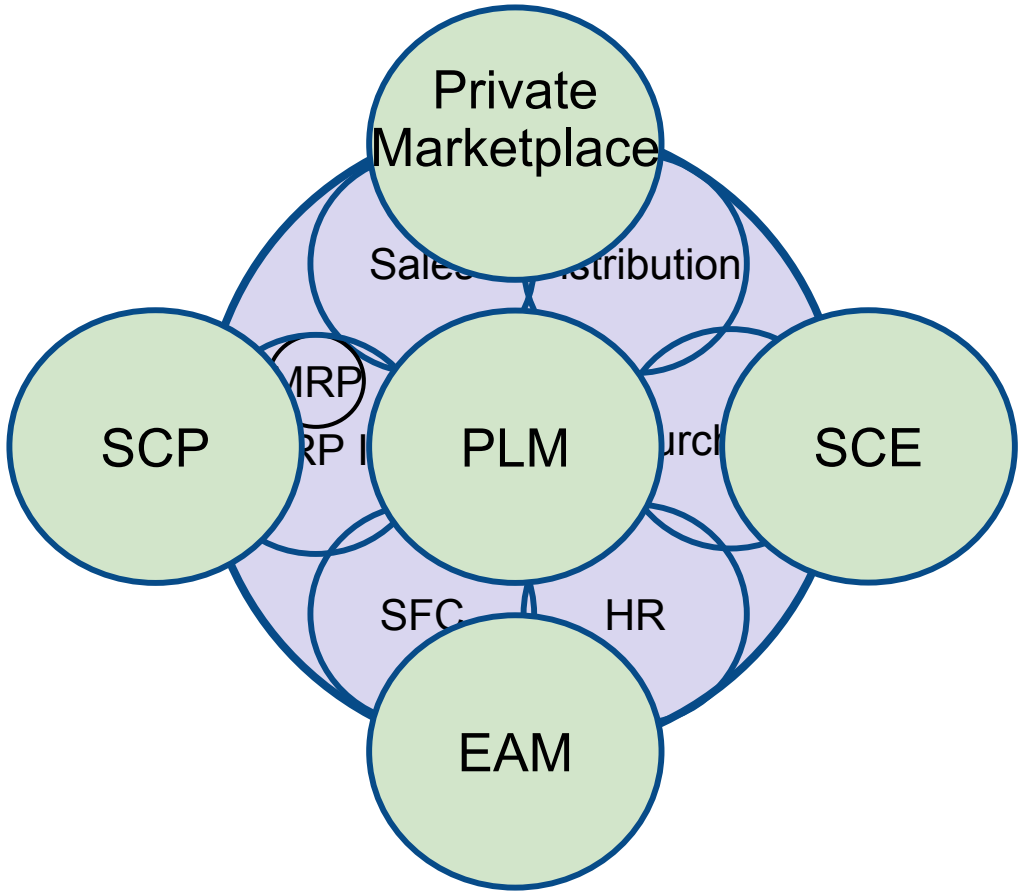
The Cycle of Assimilation

Transactional Extensions to ERP



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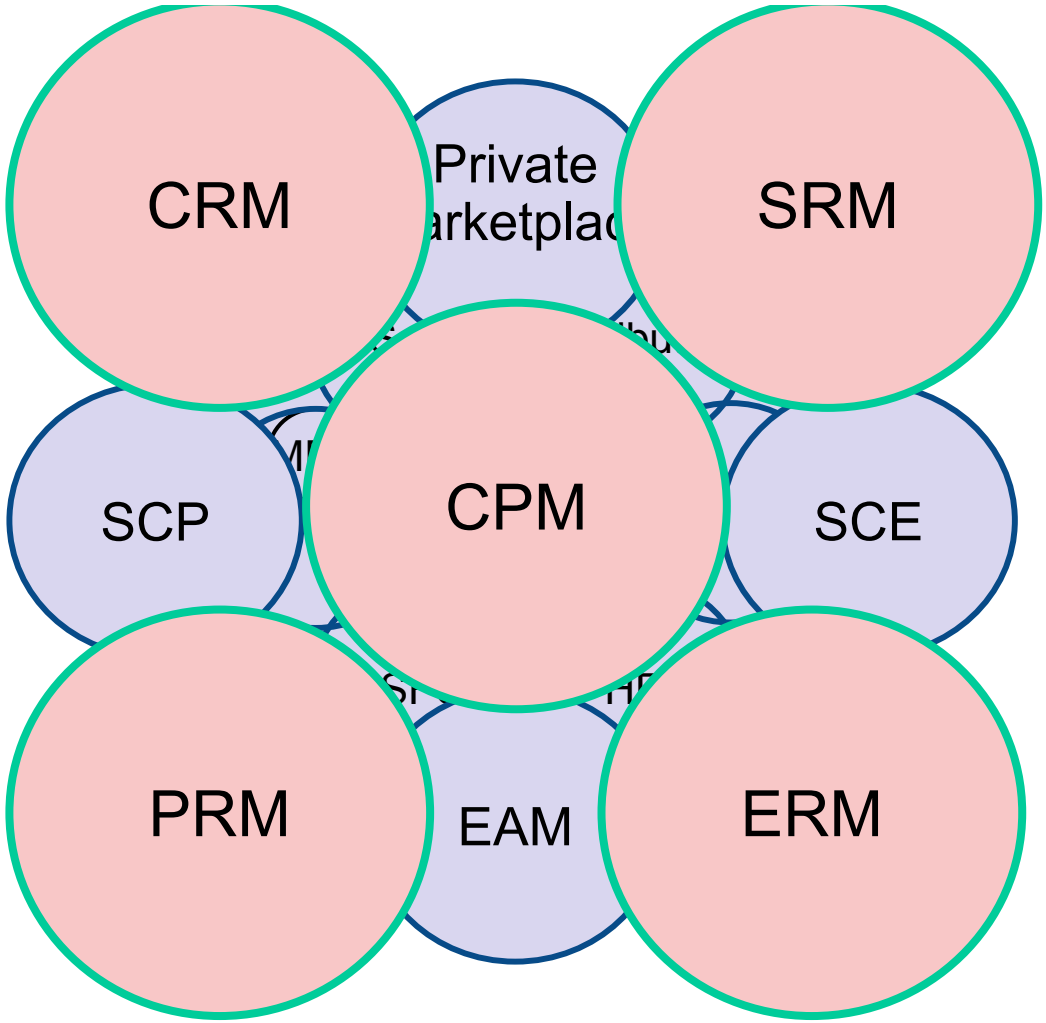
The Cycle of Assimilation

Relationship and Performance Management on Top of Transactions



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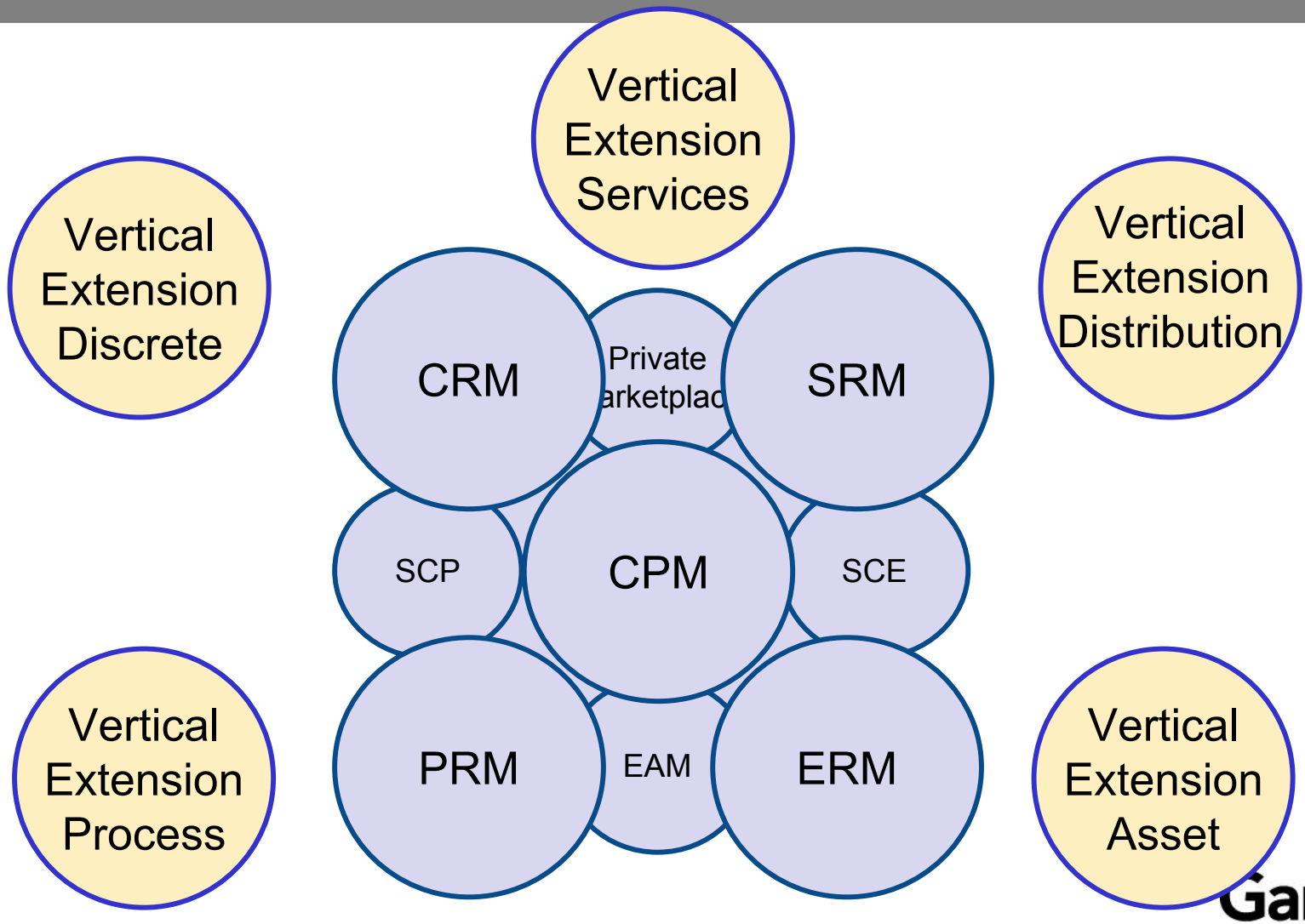
Candidates for Future Assimilation



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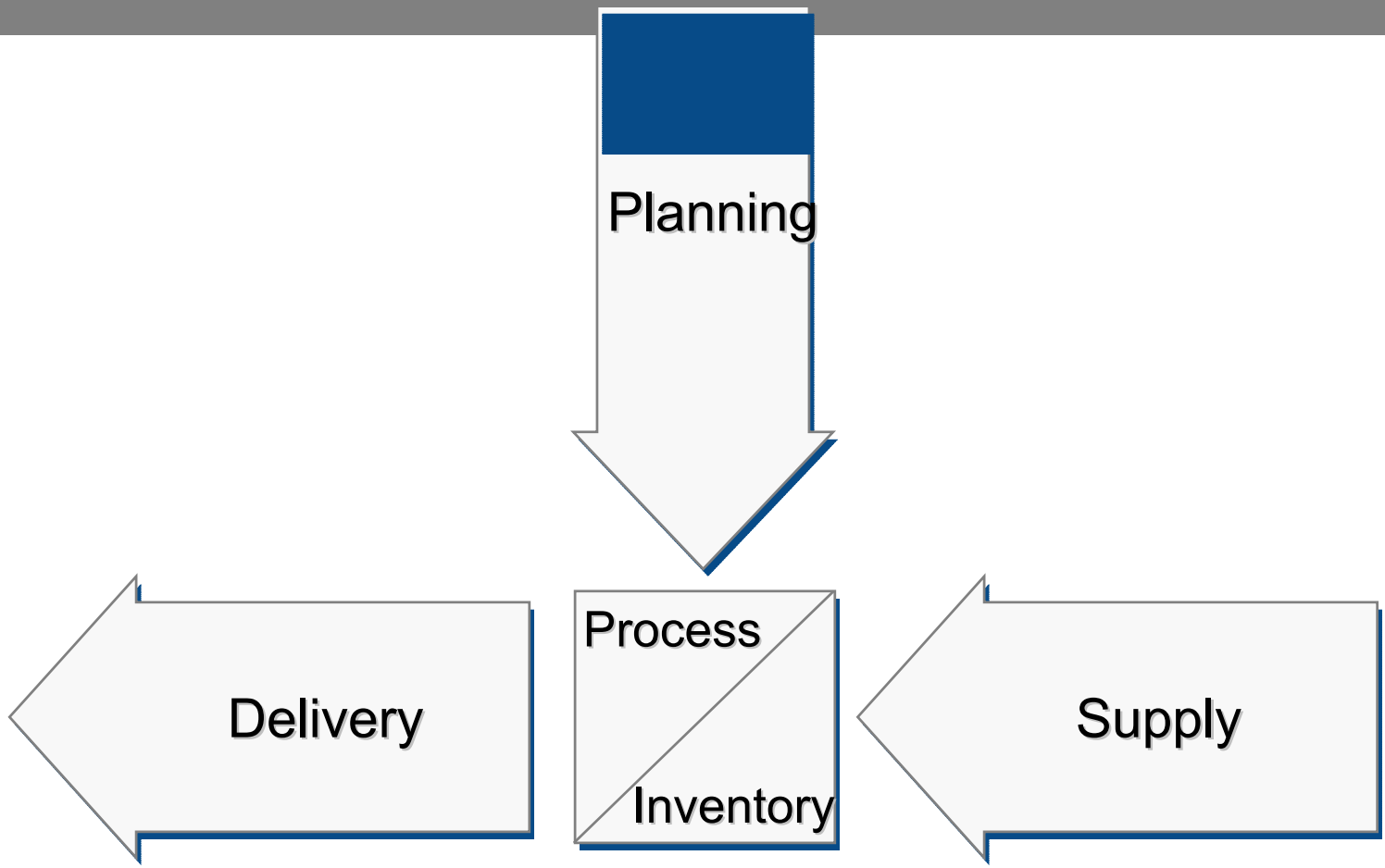
ERP II and the Military

ERP: Enterprise Mission



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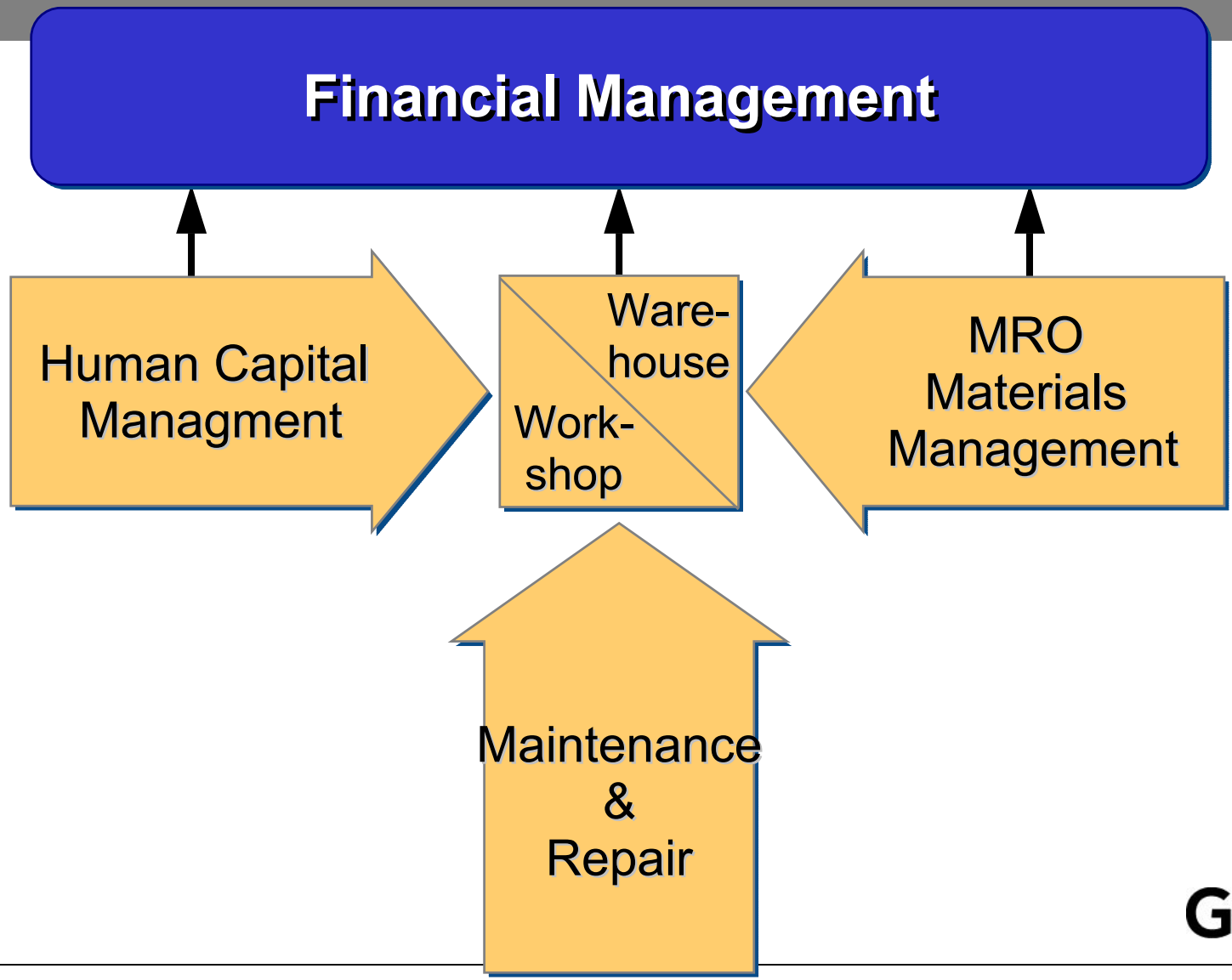
Asset Management Core Elements



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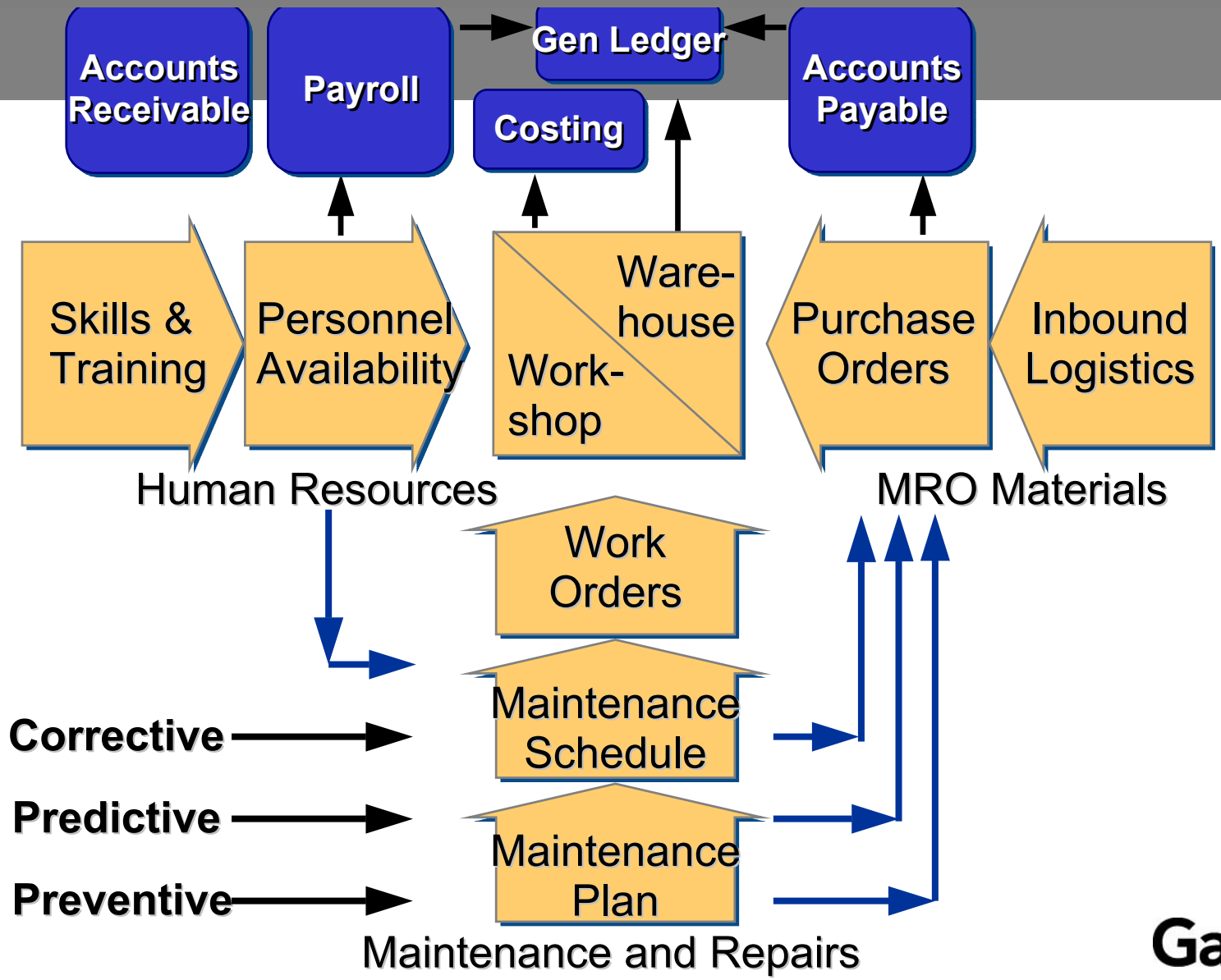
Asset Management Process Flows



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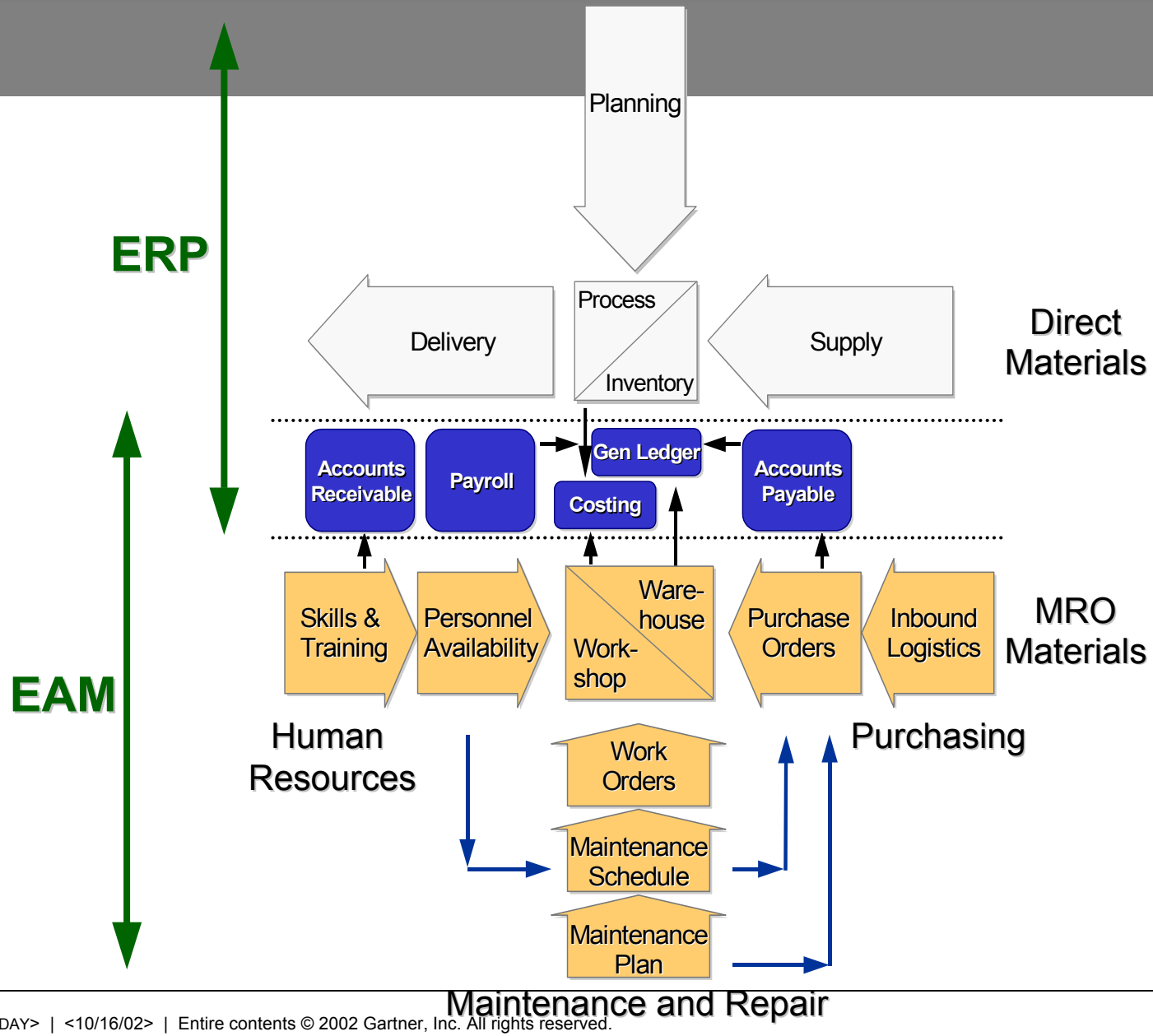
Generic Enterprise Model



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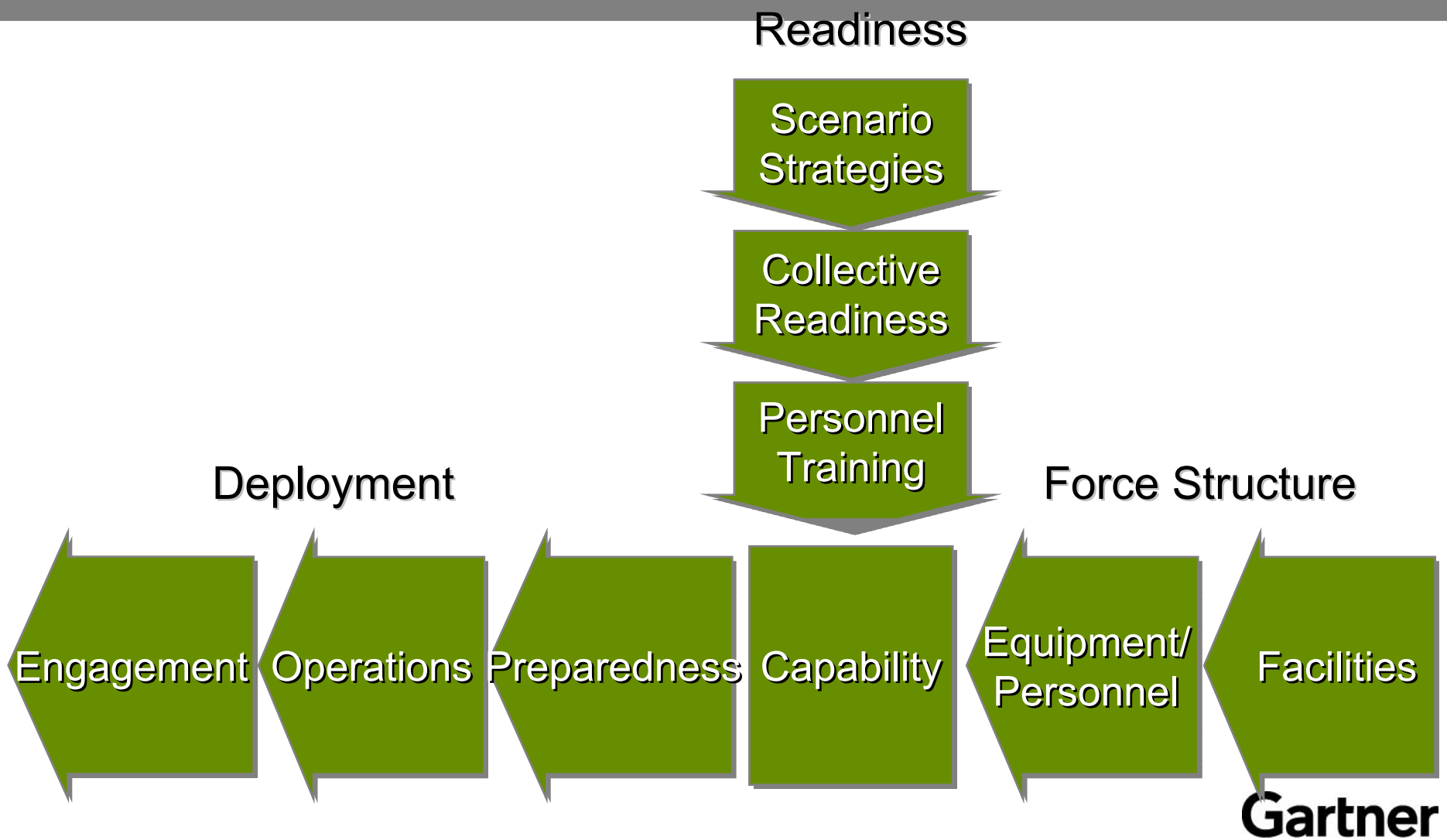
Defense Operations



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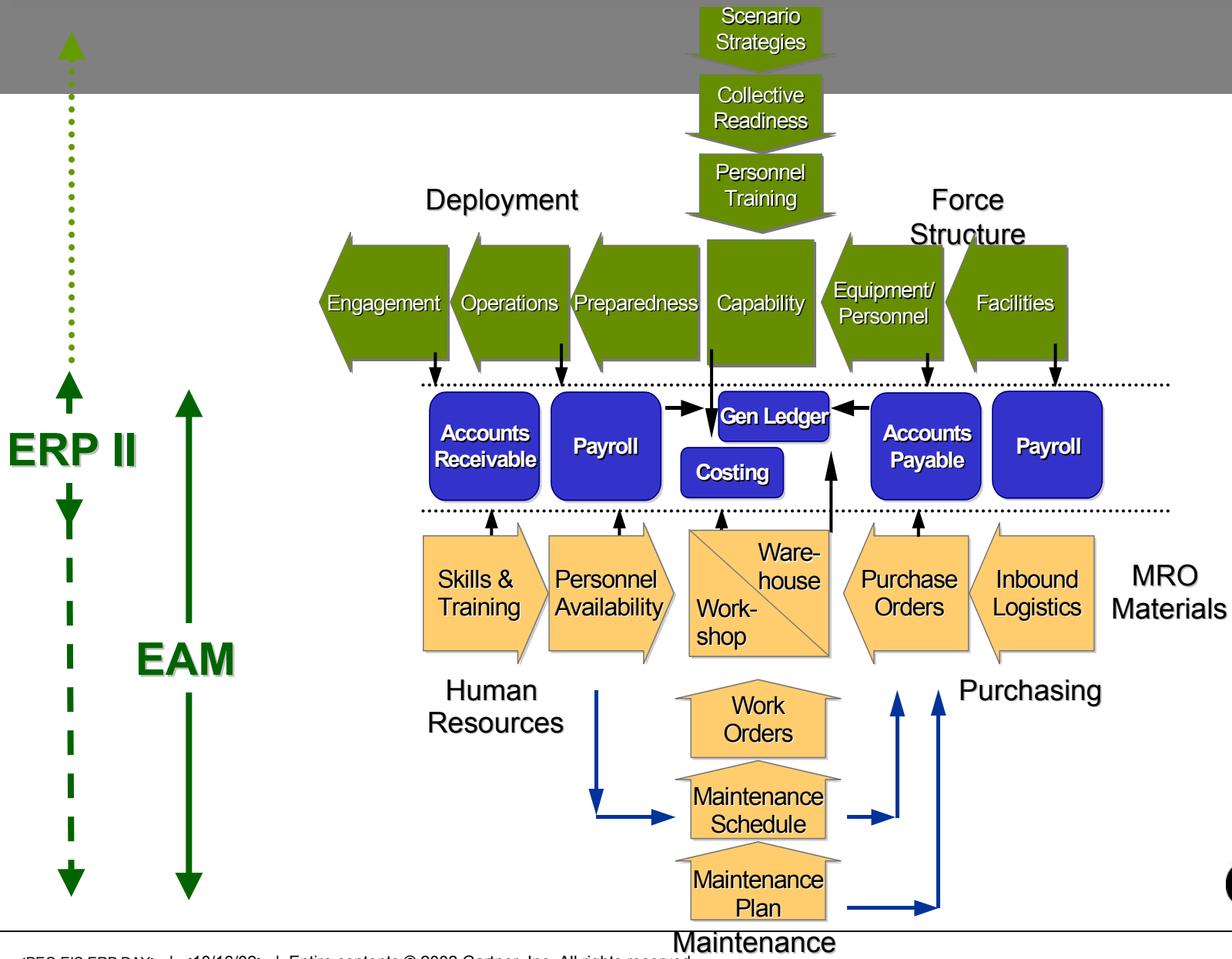
Defense Operational and Support Systems



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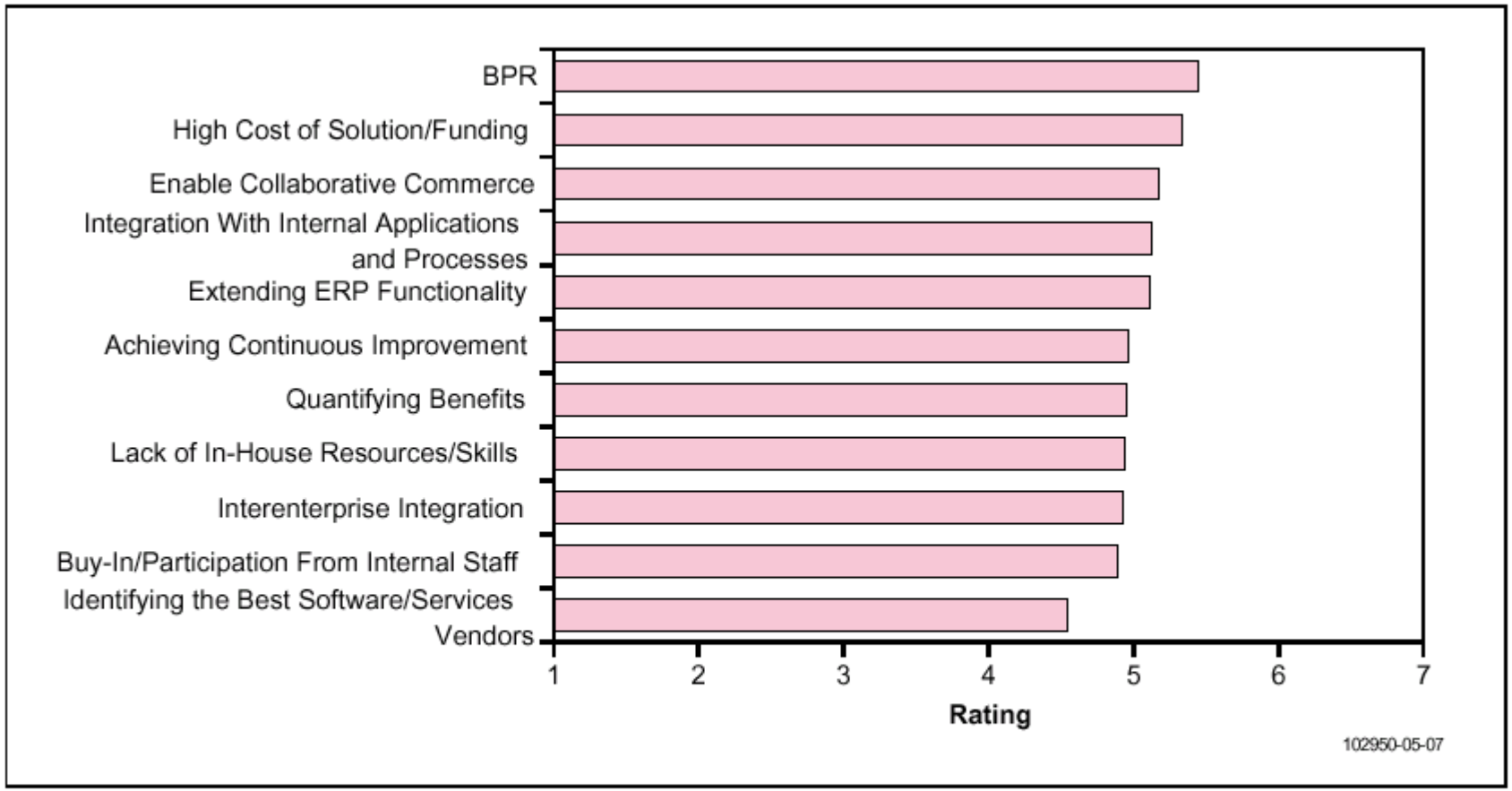
ERP II Implementation Success Factors

ERP Challenges



Notes: Ratings are based on a 1 to 7 scale, 1 = not at all important and 7 = extremely important.
Number of respondents = 64
Source: Gartner Dataquest (January 2002)

Largest Barriers to Success

- **Poor Expectation Management**
- Improper Implementation Approach
- Lack of User Focus
- Uncommitted Sponsorship
- Too Many Modifications to the Package
- Poor Risk Management

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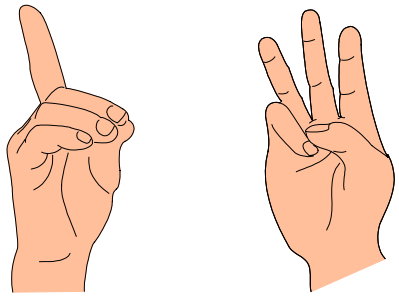
Revisiting Implementation "Magic Metrics"

What vendors say

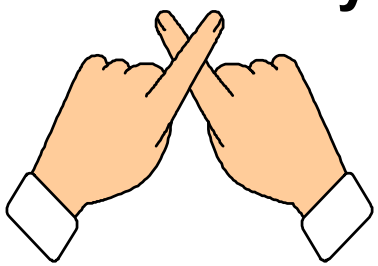


Their claim

Cost of external services/Cost of application software:

Application vendors say 1-to-1, SIs will often quote 3-to-1

What we say



Could be 1-to-1, 3-to-1 or 20-to-1.

Our objections

Implementation cost (the numerator) should include hardware, systems software, application software, imputed internal staff cost and overhead - not just external services.

Mix of internal to external staff varies widely across projects. "Complexity Drivers" vary across projects

Denominator (software cost) is inconsistent across vendors and across types of users

Instead of looking for "magic metrics," invest time in detailed work planning and scope control.

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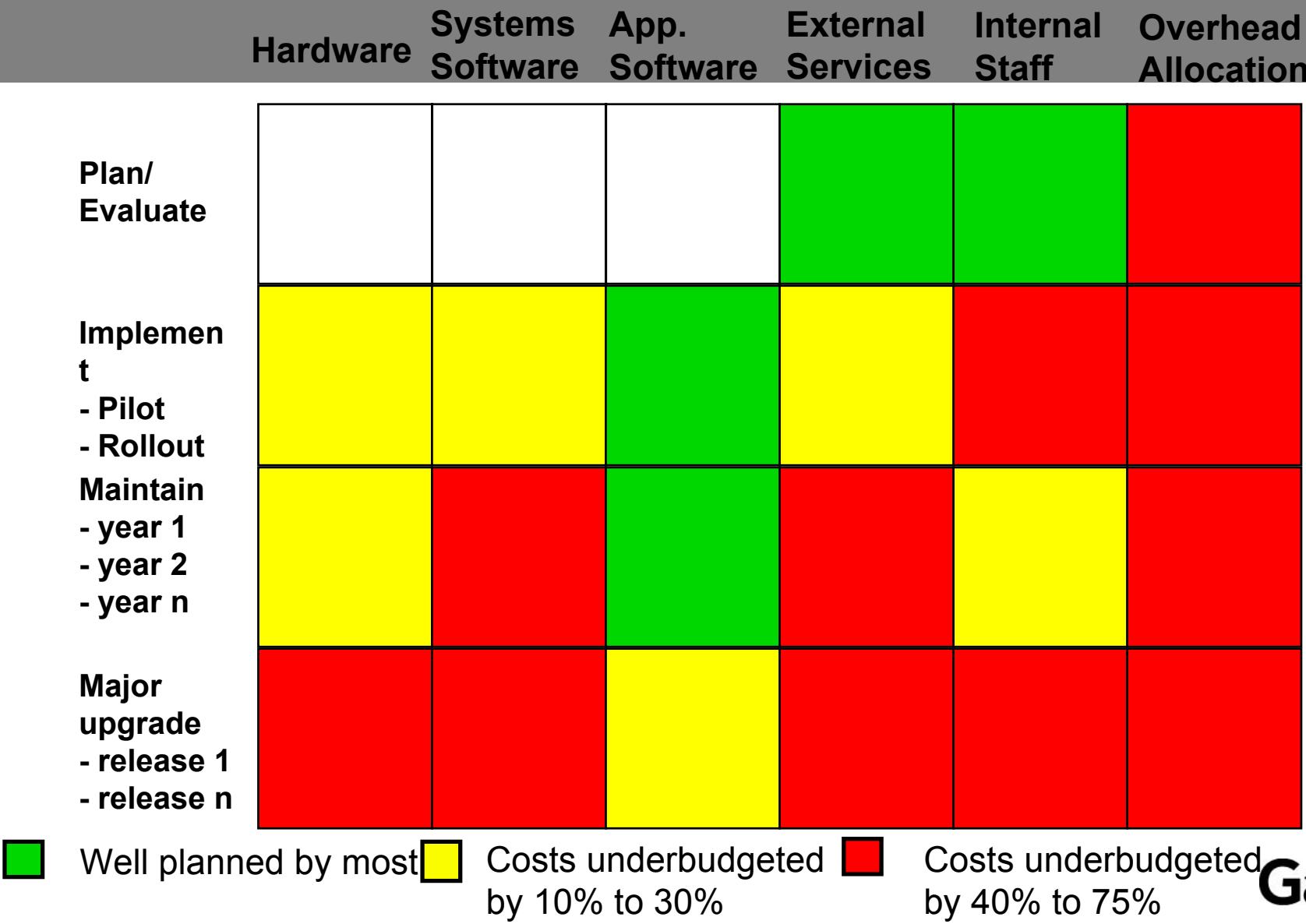
Enterprise Applications TCO



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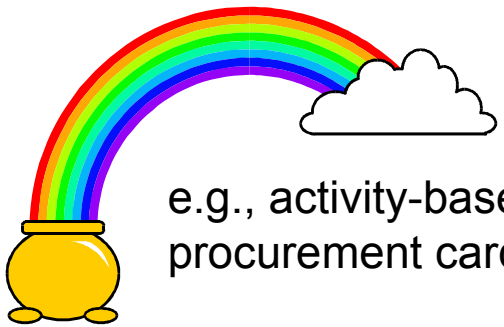
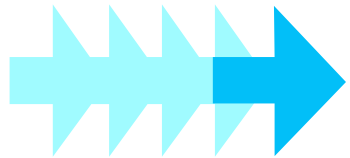
Scope of Change

Implementing new "best" practices



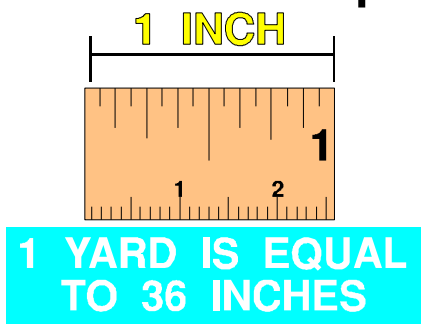
e.g., activity-based analysis, procurement cards

Removing nonvalue-added activities from processes



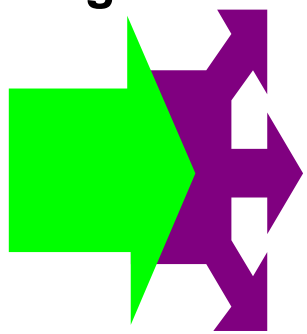
e.g., move from three-way matching to payment on receipt

Standardizing nomenclature/data across the enterprise



e.g., common chart of accounts, commodity, supplier codes

Restructuring where processes get done



e.g., shared services, decentralized recruiting

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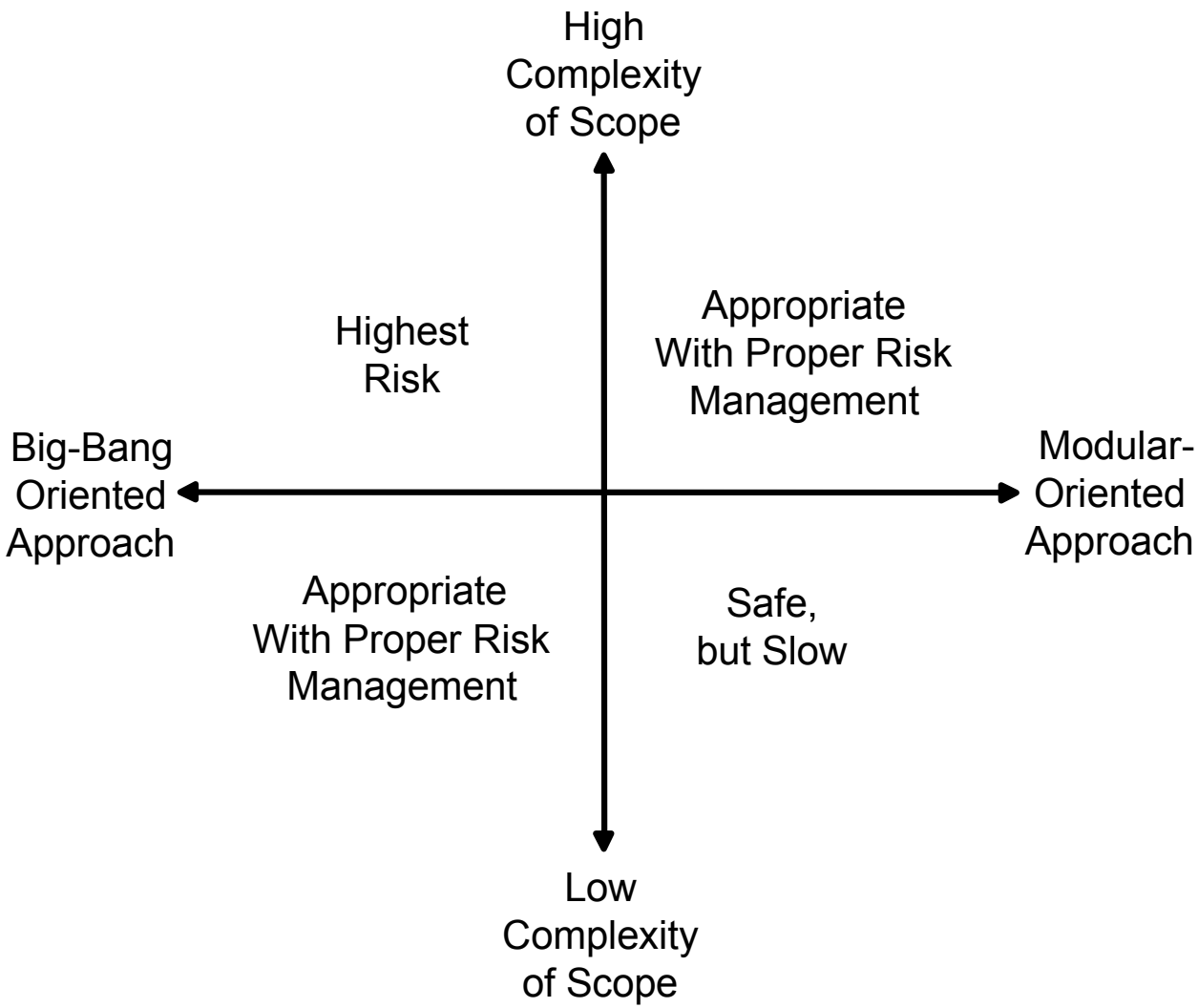
Implementation Approach – Contain Risk



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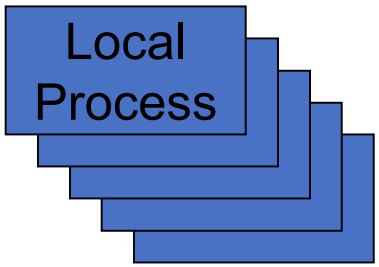
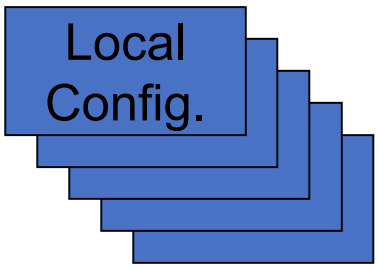
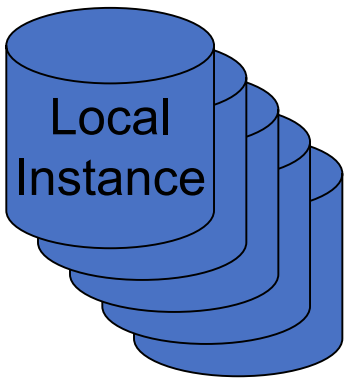
Instance Design Drives Approach



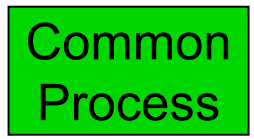
100 % local
Local Practices
Autonomy



Works local way
Local docs
Local training
Local experience

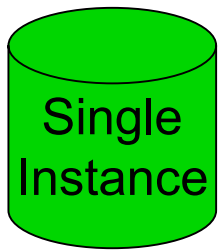


Non-standard nomenclature
Manual consolidation
Local upgrades
Local support
Implement another for acquisition

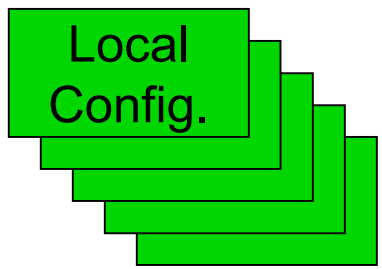


80/20 rule
Best Practices
Shared Services

Works one way
One set of docs
Ease of training
One user experience



Standard nomenclature
Easy reporting
Upgrade once
Centrally supportable
Ease acquisitions



Use to meet local requirements (20%)

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Speed — a State of Mind, Not a Software Feature

Rapid Implementations:
Two steps forward, two backward?

Learning curve based on years of ERP experience

Improved configuration tools

Growing functionality/ complexity of applications

Staff volatility and "knowledge seepage"

Rapid Implementations:
Do you have the discipline?

- **"Air cover" — Total executive commitment**
- **Ability to "freeze" decisions within 48 hours**
- **Scope "neutral" project approach**
- **Team and SI incentives to ensure true rapid results, not cut corners**

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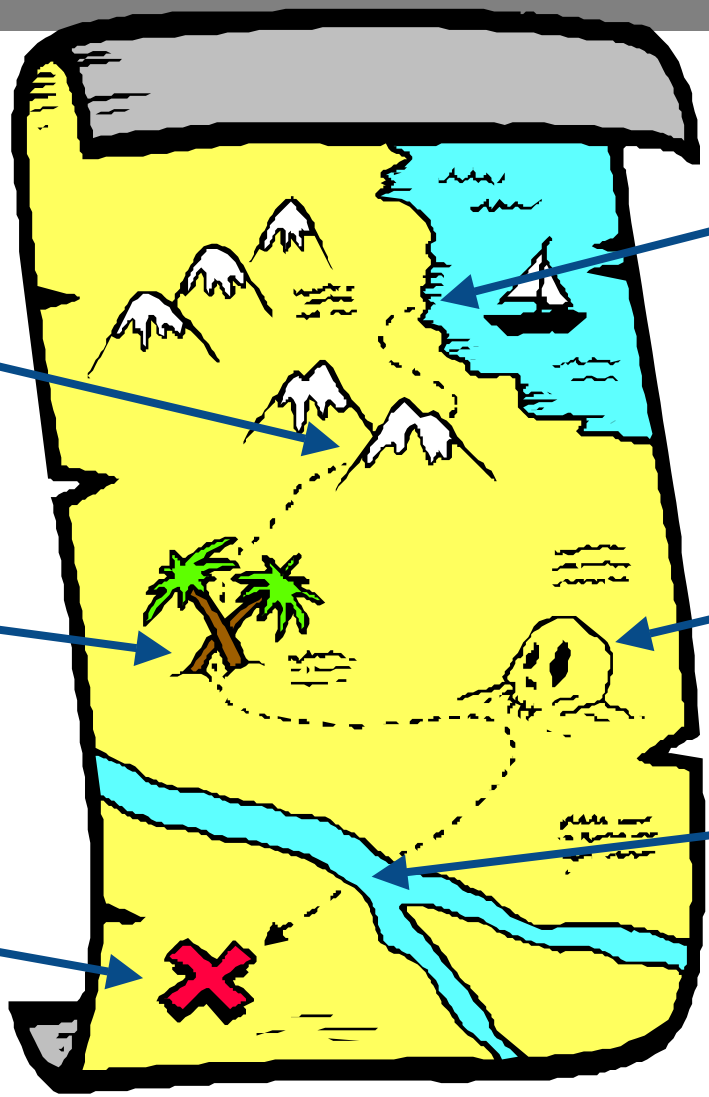
The Treacherous Journey to Change Enablement



Vision for Change

Barriers to Change

Past Implementation Failures

Expectation Management

Individual and Organizational Issues

Change Internalized

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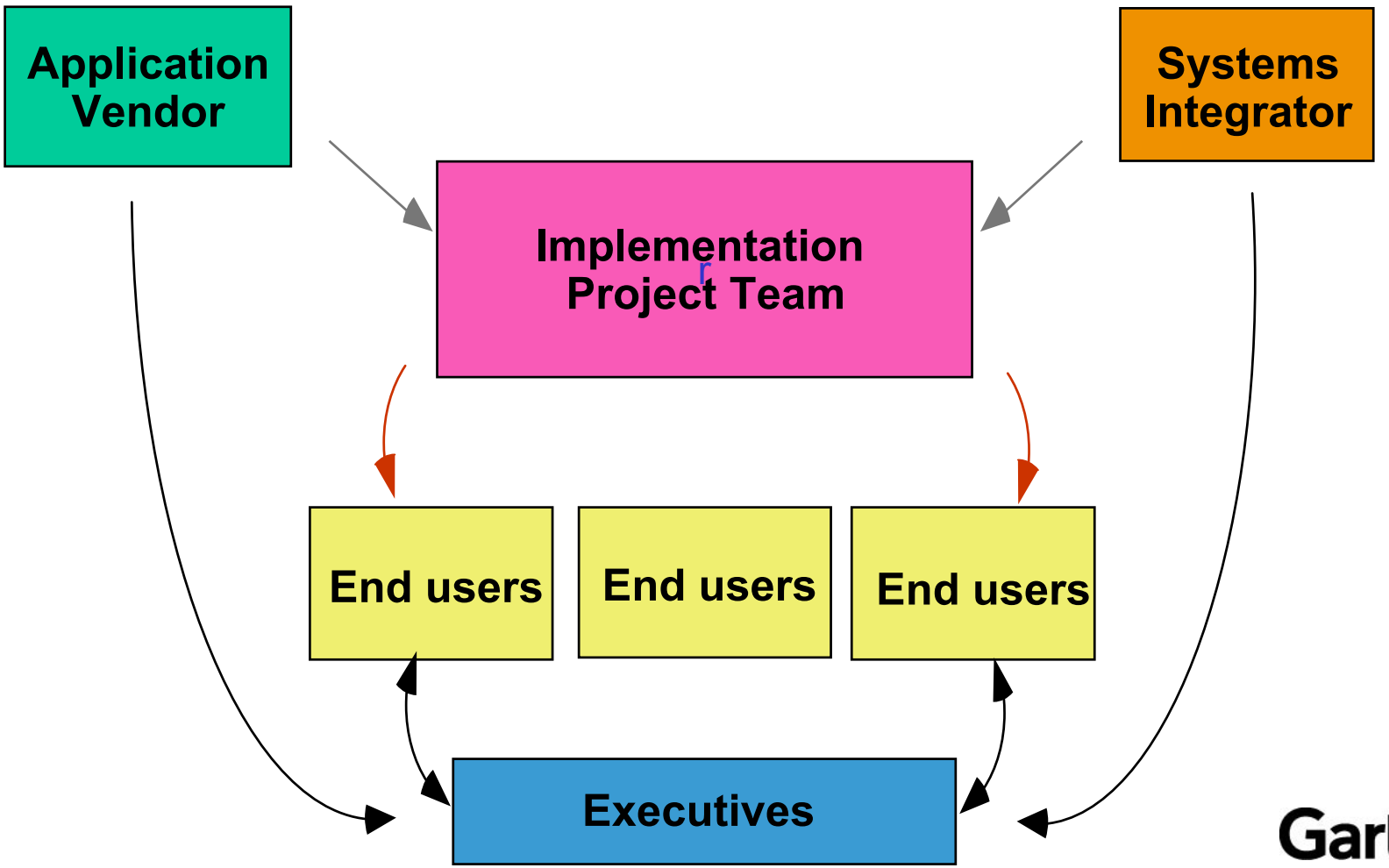
Communication Channels need Controlling



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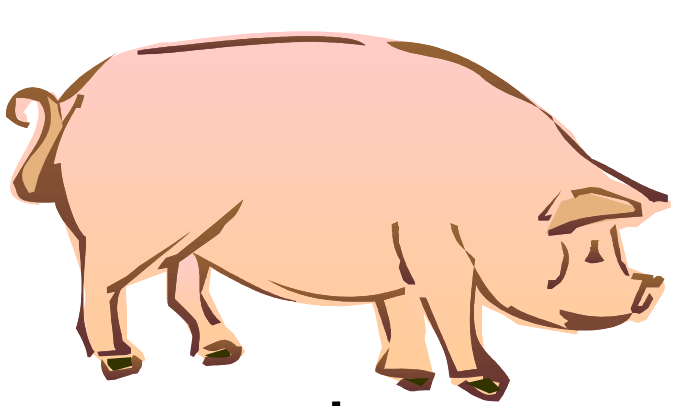
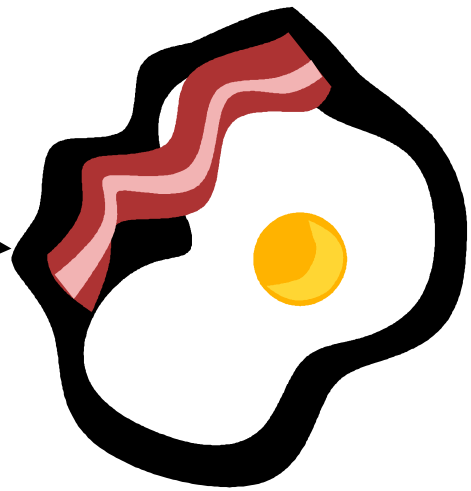
Involvement vs. Commitment



Committed

Involved



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Largest Barriers to Success

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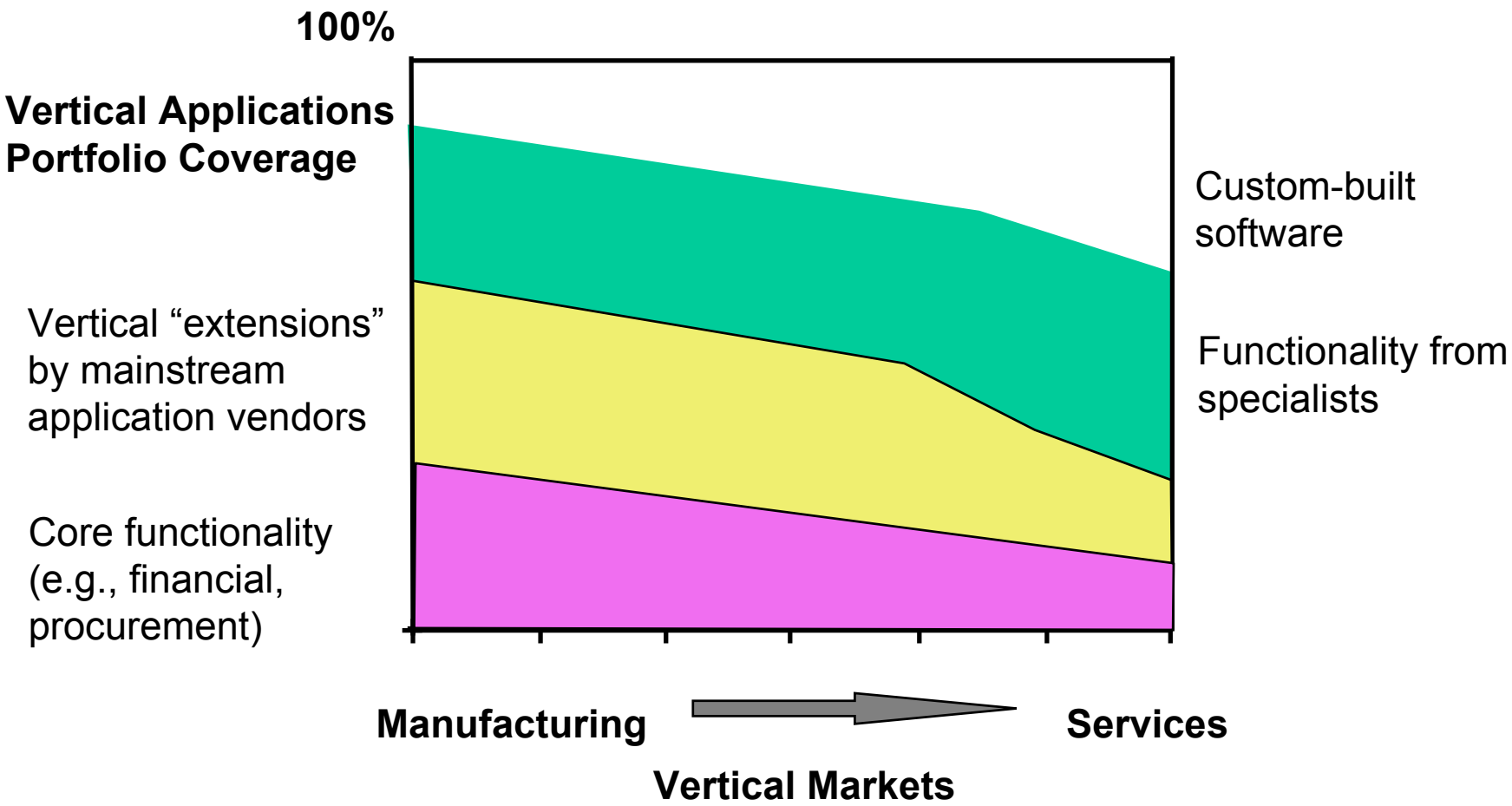
Vertical Knowledge



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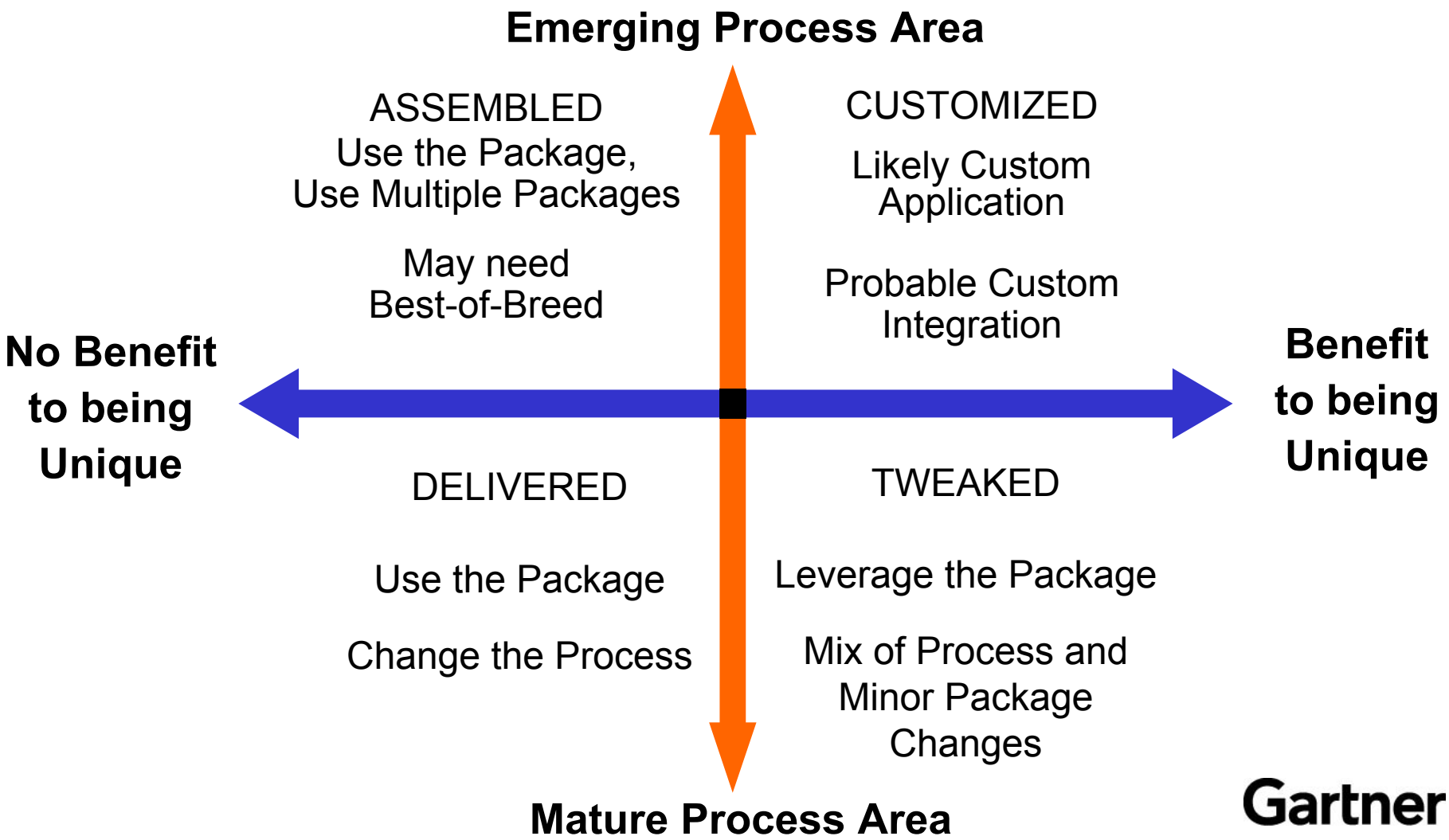
Build, Buy or Change?



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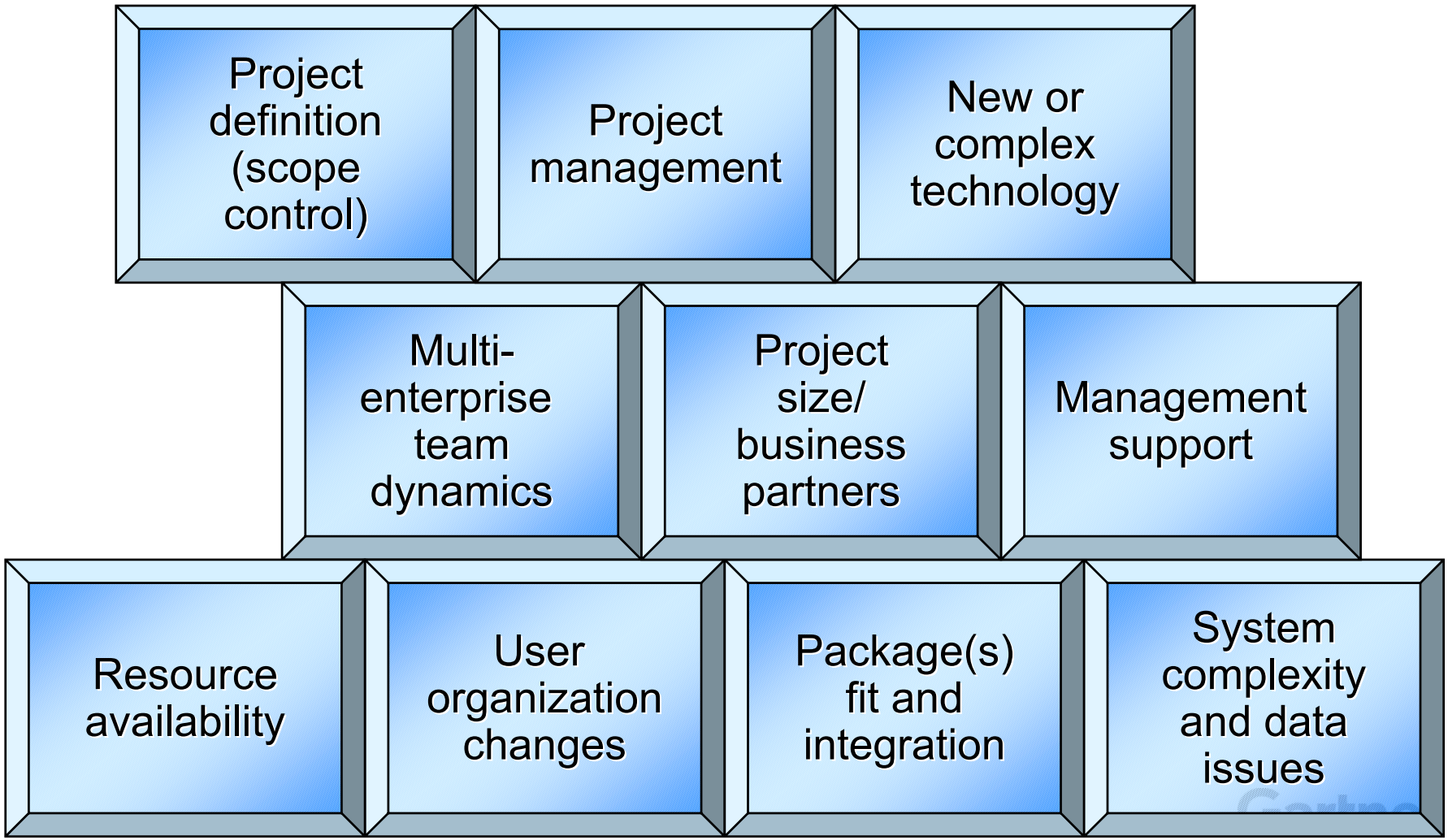
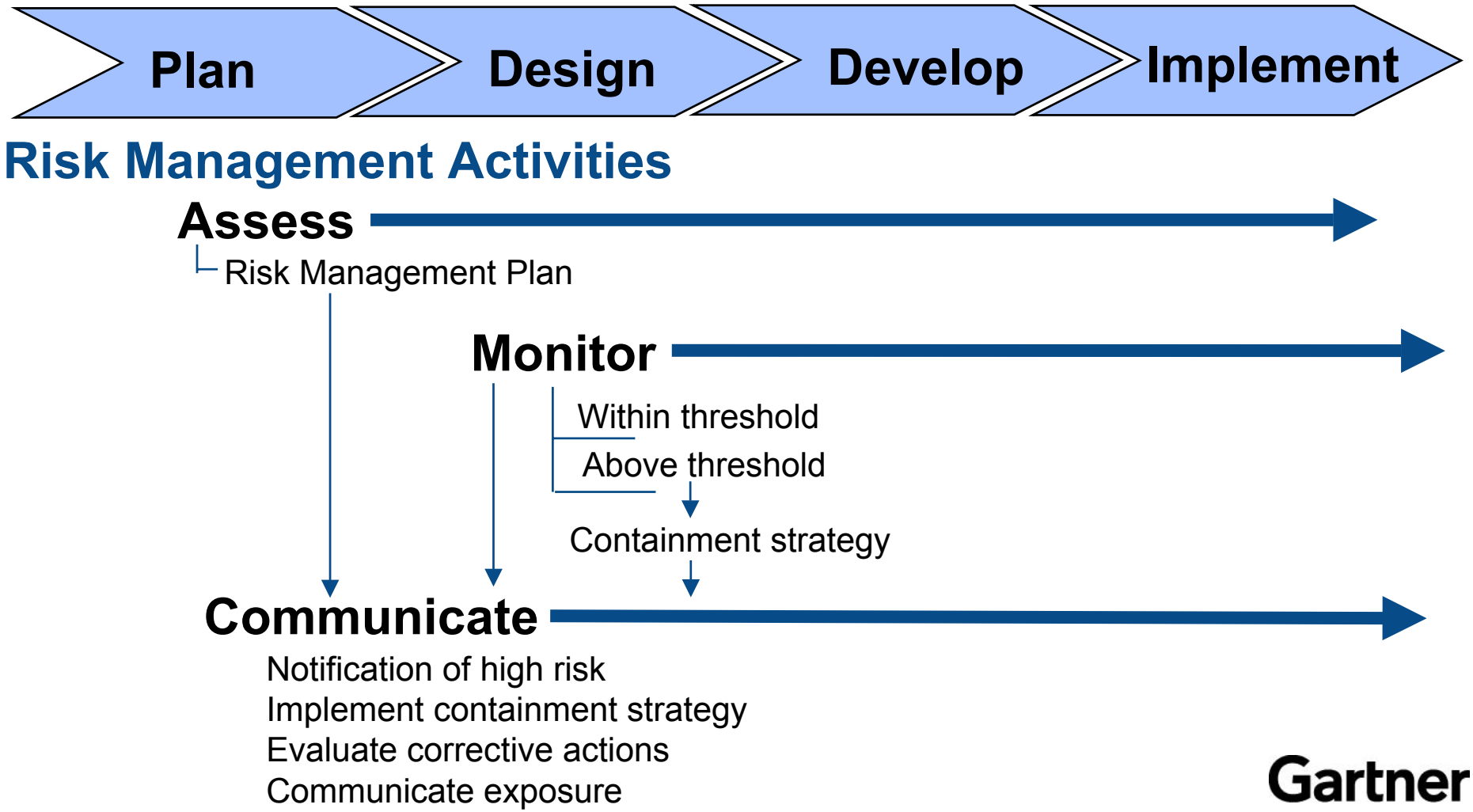
Managing Project Risk: The "Hot Buttons"



Assign Ownership/Accountability for Risk Management



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Monitor Risk Throughout the Project

Metrics	Potential Outcomes
Target dates	Date extensions accumulate to more than two weeks
Scope	Any change in requirements — zero tolerance!
Quality	Any reduction in testing, training, or review of work efforts — zero tolerance!
Cost	Cost increases of 20 percent over estimate
Resources	Resource increase/decrease more than 20 percent

Identify key metrics that quantify impact to the project.
Give decision makers a clear picture of outcomes if the risk is not contained.

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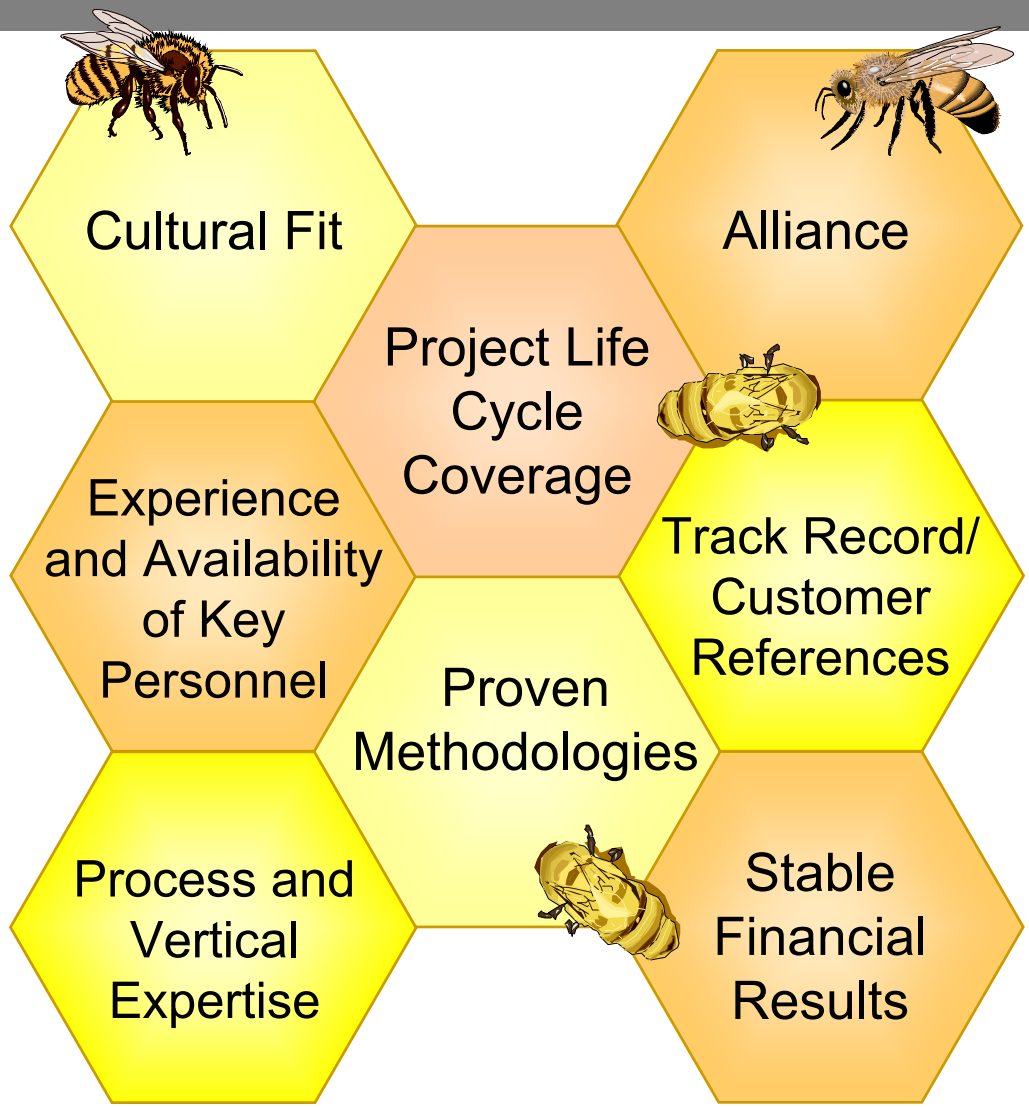
Systems Integrators

Be Selective When Using Systems Integrators



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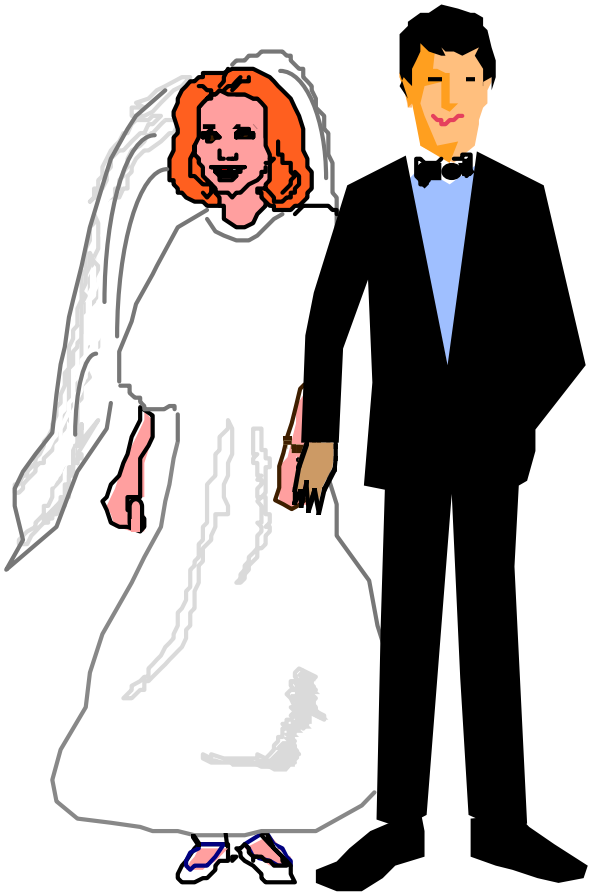
The SI Decision



1. Decide which disciplines you can bring, then seek “delta” from SI
2. Depending on range and volume of skills needed, decide on large, boutique SI or application vendor staff
3. Factor culture, innovations (e.g., competency centers), contracting flexibility in SI selection
4. Link billing rates to market dynamics
5. Demand detailed work plans with specific deliverables, assumptions and so on
6. Focus on fine print, including travel, staff turnover and exit clauses
7. Monitor progress diligently
8. Reward for outcomes, not just time and materials

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The “Reward” Framework For Managing SI’s

Work-plan details

Alliance/ long-term focus

Economics of contract

Realistic expectations

Risk assessment/ sharing

Details: staff turnover. travel expenses. exit clauses

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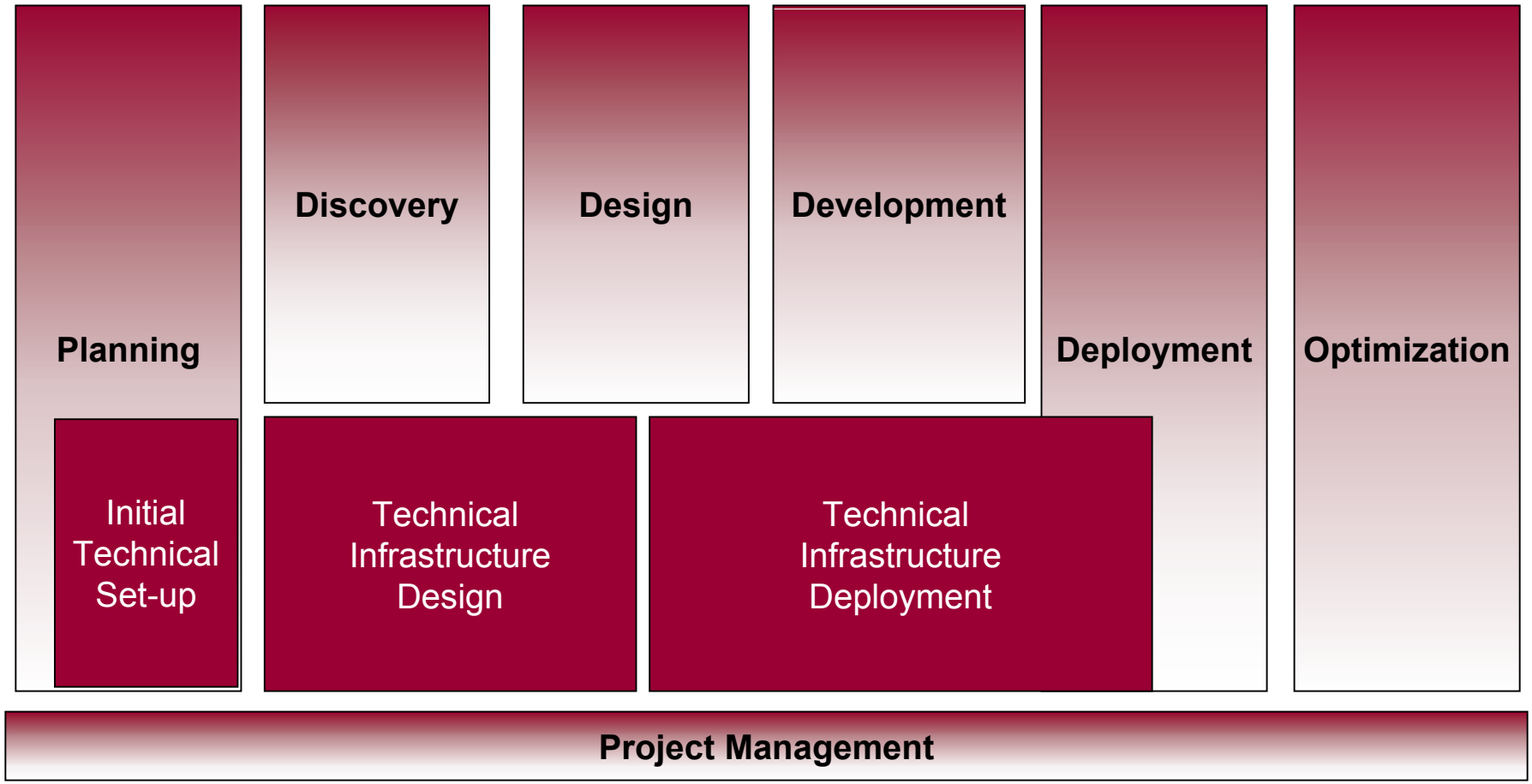
What to Expect in a Methodology

Generic ERP Implementation Methodology Review



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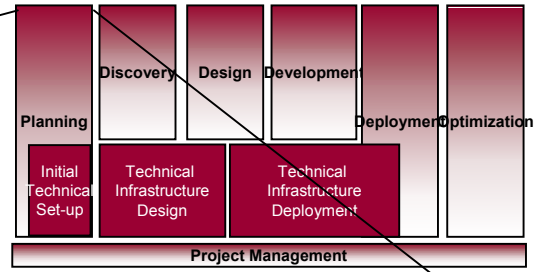
Planning



Due Diligence	Organize Project Team
Scope/Organize Project	Project Team Orientation
Establish Instance Structure & Standards	Company-Wide Orientation
Create Project Plan	Finalize Project Budgets

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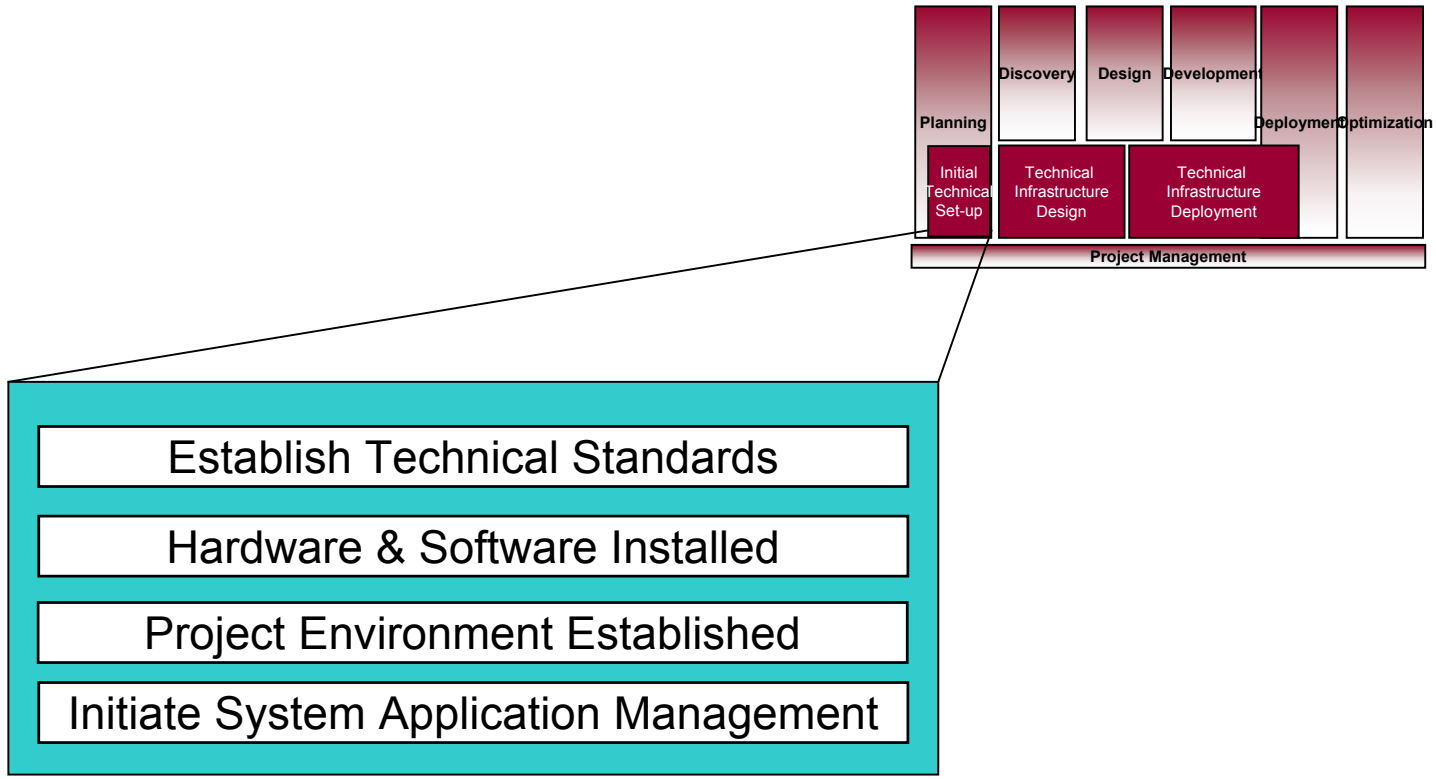
Initial Technical Set-up



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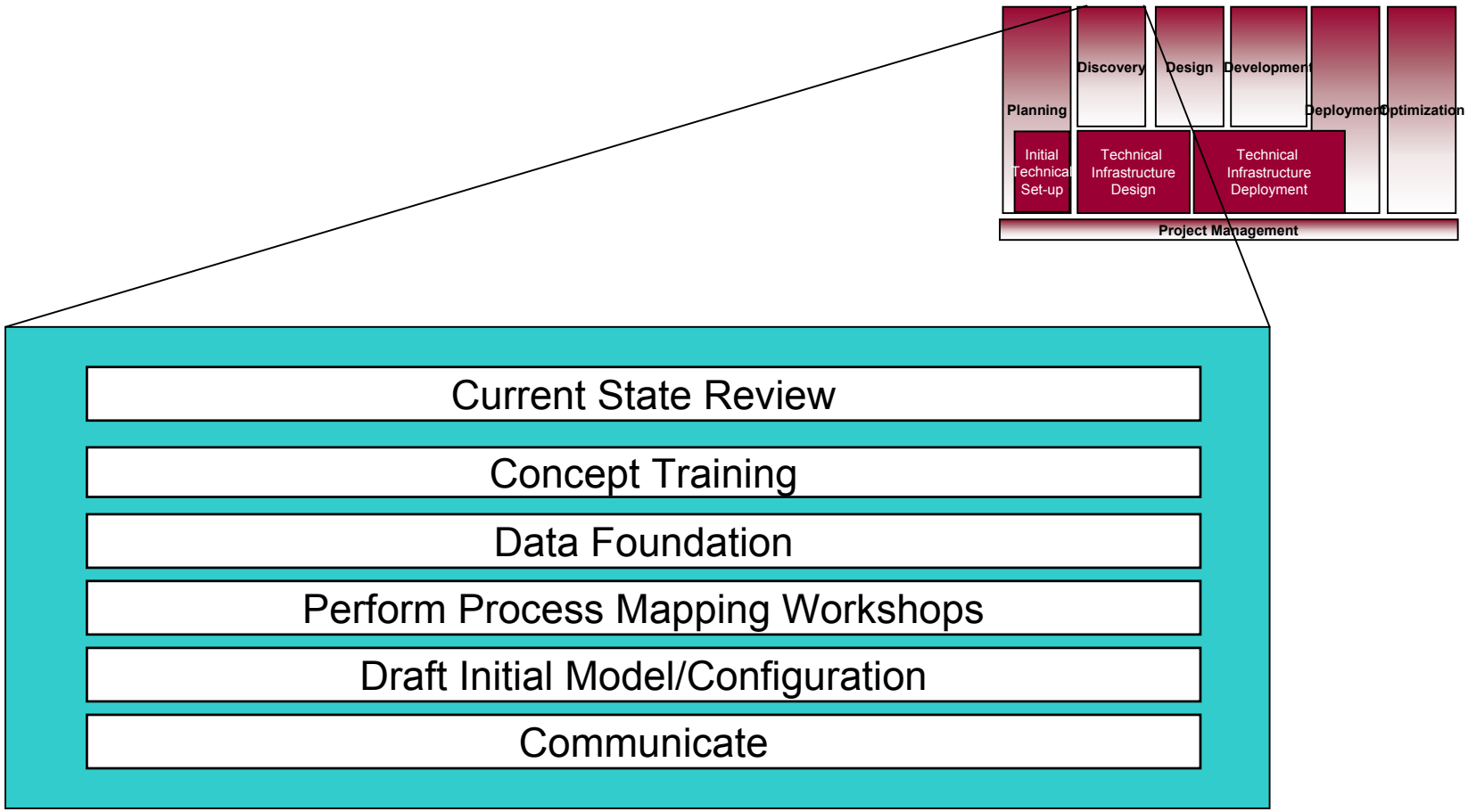
Discovery



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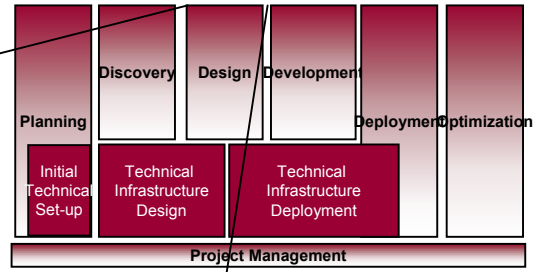
Design



- Confirm Final Model/Configuration
- Job Design
- Specify Conversion Requirements
- Specify High-Priority Customizations & Interfaces
- Define Add-On Products Integration Requirements
- Define Final Design Document
- Communicate

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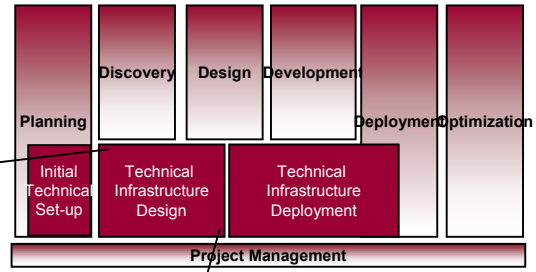
Technical Infrastructure Design



- Define IT infrastructure strategy
- Design Local Area Network Structure
- Perform data gathering for system sizing and configuration
- Define Review Other Application/Add-on System Needs
- Define/Review Client Desktops' needs
- Define Application System Architecture
- Define System Management Requirements
- Define Detailed Roll-out Schedule

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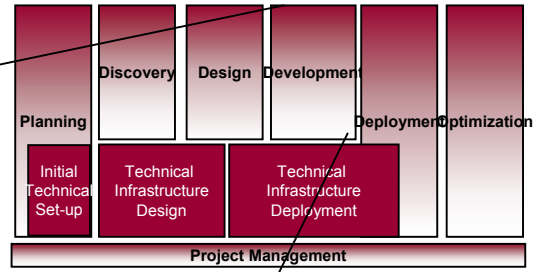
Development

- Develop System Test Plan
- User Procedures Finalized
- Customizations/Reports Developed and Tested
- Interfaces Developed and Tested
- Data Conversion Plan Defined
- Legacy Data Purified
- Data Conversion Developed and Tested
- Training Materials Developed
- Rollout Plans Refined
- Finalize Security
- Production Environment Configured
- Advanced Key User Training Conducted
- Complete System Test
- User Acceptance Test
- Final Business Solution Agreed Upon
- Communicate



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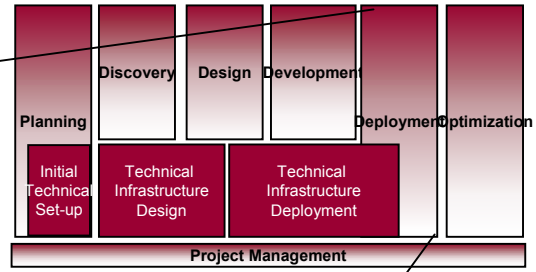
Deployment



- End-User Training Complete
- Static Data Entered
- Dynamic Data Entered
- Volume and Stress Test Complete
- Mock Go-Live and Tuning
- System Operational
- Post Conversion Support Plan Approved
- Post Conversion Support
- Communicate

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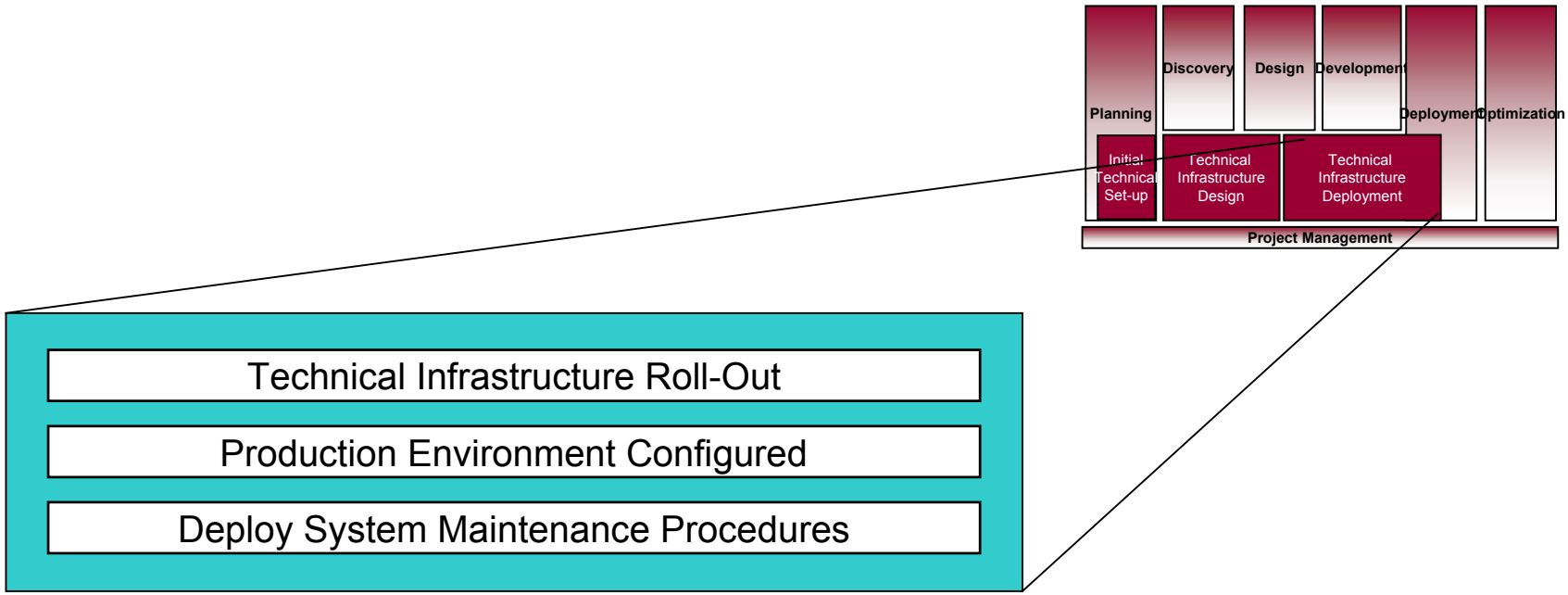
Technical Infrastructure Deployment



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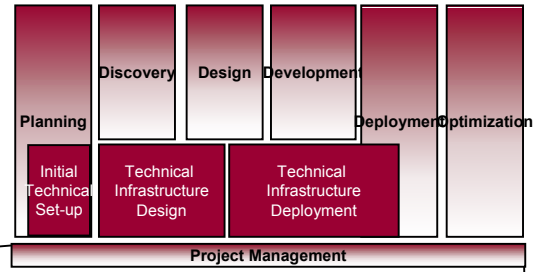
Project Management



Key Tasks

- Planning
- Monitoring
- Scope Control
- Organizational communication
- Monitoring and addressing risk
- Optimization Tracking
- Measuring business benefits
- Assess ongoing resource allocation
- Ensure ongoing visible executive support

Deliverables

- Work Plans
- Status Reports
- Time Reporting
- Issues Database
- Change Control Database
- Knowledge Base
- Performance Reviews
- Communication Plan

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Questions?